CONSOLIDATED STATEMENTS OF INCOME

(thousands except per share amounts)

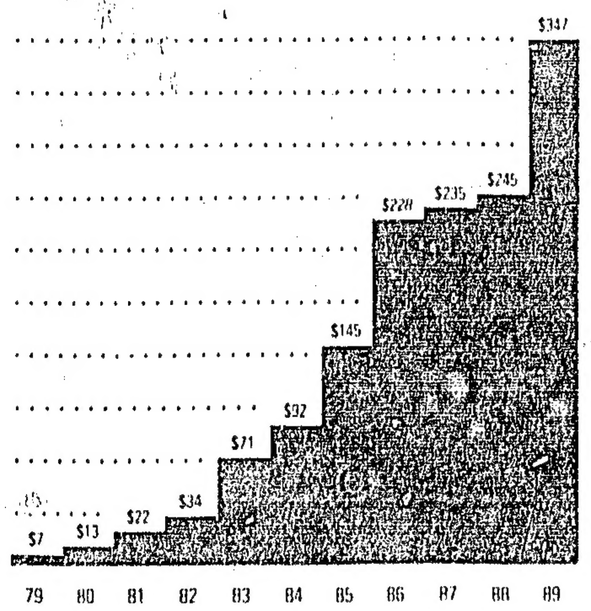
	1989	1988	1987
Net Sales	**$4,647,916**	$4,070,777	$3,527,941
Costs of Goods Sold, Occupancy and Buying Costs	**3,201,281**	2,856,074	2,535,166
Gross Income	**1,446,635**	1,214,703	992,775
General, Administrative and Store Operating Expenses	**821,381**	747,285	583,903
Operating Income	**625,254**	467,418	408,872
Interest Expense	**(58,959)**	(63,418)	(40,322)
Other Income (Expense), net	**6,731**	(7,864)	9,638
Income Before Income Taxes	**573,926**	396,136	378,188
Provision for Income Taxes	**227,000**	151,000	143,000
Net Income	**$ 346,926**	$ 245,136	$ 235,188
Net Income Per Share	**$ 1.92**	$ 1.36	$ 1.25

The accompanying Notes are an integral part of these Consolidated Financial Statements.

NET INCOME

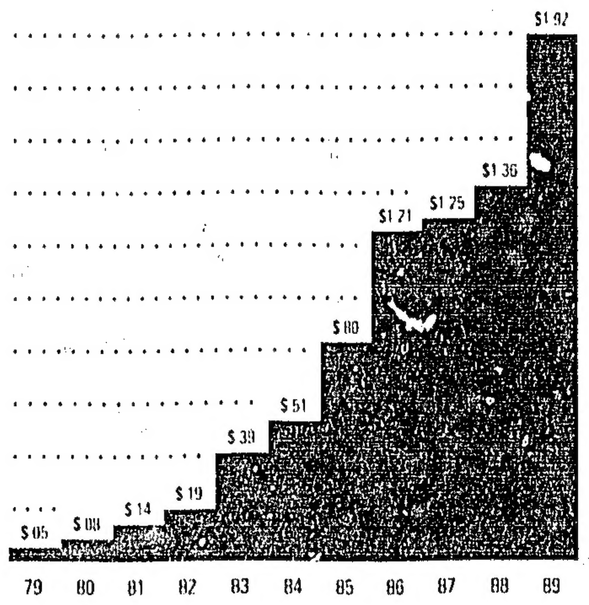
(in millions)

CAGR 48% (Compound Annual Growth Rate, last ten years)



NET INCOME PER SHARE

CAGR 44%



CONSOLIDATED BALANCE SHEETS

(thousands)

Assets	Feb 3, 1990	Jan 28, 1989
Current Assets		
Cash and Equivalents	**$ 21,734**	$ 15,276
Accounts Receivable	**596,171**	531,461
Inventories	**482,136**	407,006
Other	**63,703**	69,851
Total Current Assets	**1,163,744**	1,023,594
Property and Equipment, net	**1,172,688**	1,066,646
Other Assets	**82,054**	55,266
Total Assets	**$2,418,486**	$2,145,506
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts Payable	**$ 175,319**	$ 189,184
Accrued Expenses	**239,921**	189,579
Income Taxes	**62,980**	77,192
Total Current Liabilities	**478,220**	455,955
Long-Term Debt	**445,674**	517,952
Deferred Income Taxes	**214,858**	198,893
Other Long-Term Liabilities	**39,280**	26,499
Shareholders' Equity		
Common Stock	**94,863**	94,863
Paid-in Capital	**196,232**	203,693
Retained Earnings	**1,168,842**	879,386
	1,459,937	1,177,942
Less Treasury Stock, at cost	**(219,483)**	(231,735)
Total Shareholders' Equity	**1,240,454**	946,207
Total Liabilities and Shareholders' Equity	**$2,418,486**	$2,145,506

The accompanying Notes are an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

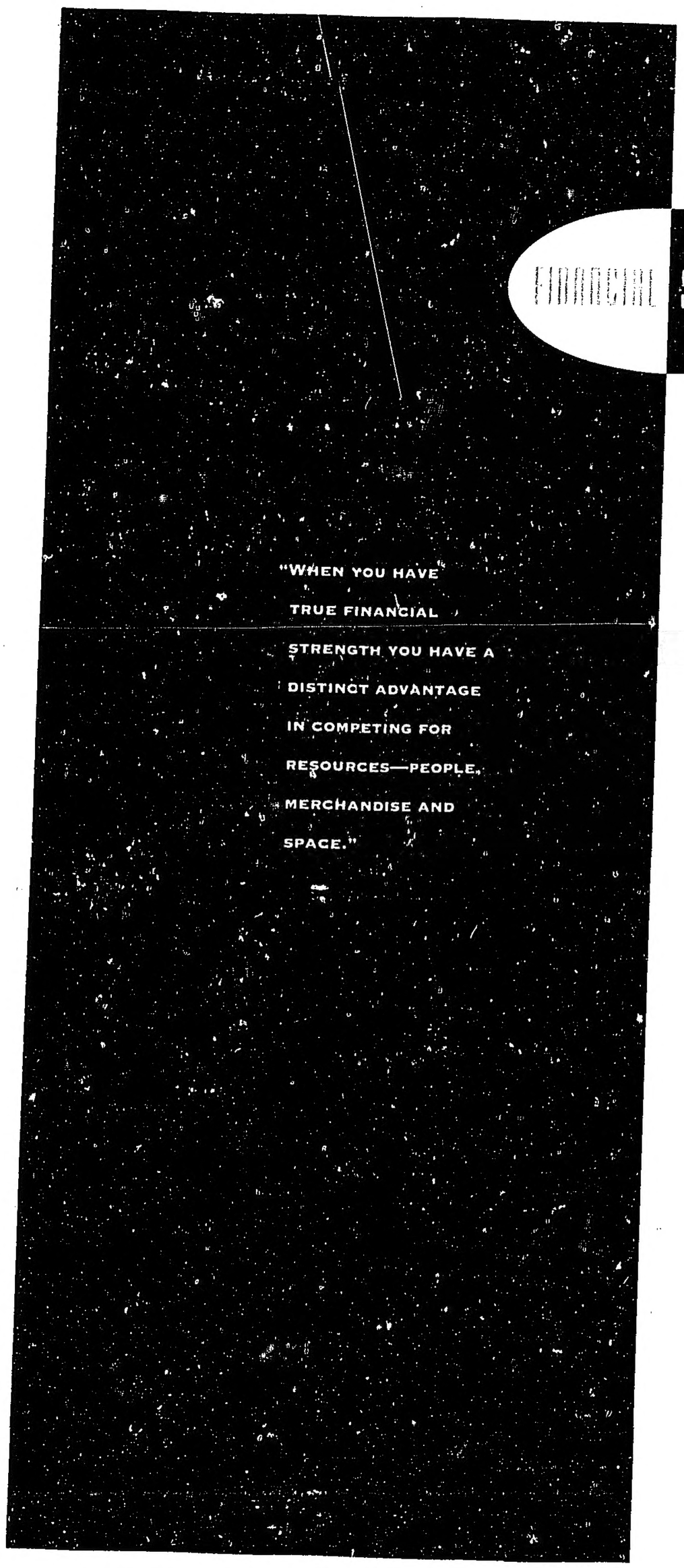
(thousands)

	1989	1988	1987
Cash Flows from Operating Activities:			
Net income	**$346,926**	$245,136	$235,188
Impact of other operating activities on cash flows:			
Depreciation and amortization	**164,713**	142,469	109,353
Change in assets and liabilities:			
Accounts receivable	**(65,742)**	(16,930)	13,735
Inventories	**(101,580)**	(44,072)	7,796
Accounts payable and accrued expenses	**59,764**	91,570	(10,266)
Income taxes	**(14,212)**	53,136	19,572
Other assets and liabilities	**14,370**	21,570	2,390
Net Cash Provided from Operating Activities	**404,239**	492,879	369,768
Investing Activities:			
Capital expenditures	**(318,427)**	(288,972)	(283,590)
Disposition of Lerner Woman	**34,098**	—	—
Acquisition of Abercrombie & Fitch	**—**	(45,206)	—
Other	**11,505**	7,989	(25,721)
Net Cash Used for Investing Activities	**(272,824)**	(326,189)	(309,311)
Financing Activities:			
Net (repayments) borrowings under long-term debt agreements	**(322,278)**	(163,048)	263,580
Proceeds from issuance of unsecured notes	**250,000**	—	—
Purchase of treasury stock	**—**	—	(240,007)
Dividends paid	**(57,470)**	(42,982)	(44,724)
Stock options and other	**4,791**	6,663	5,391
Net Cash Used for Financing Activities	**(124,957)**	(199,367)	(15,760)
Net Increase (Decrease) in Cash and Equivalents	**6,458**	(32,677)	44,697
Cash and equivalents, beginning of year	**15,276**	47,953	3,256
Cash and Equivalents, End of Year	**$ 21,734**	$ 15,276	$ 47,953

The accompanying Notes are an integral part of these Consolidated Financial Statements.

THE LIMITED, INC. 1989 ANNUAL REPORT

REINVENTING SPECIALTY STORES



Operating Results

(Dollars and shares except per share amounts)

	1989	1988	% Increase (Decrease)
Net Sales	$4,647,916	$4,07?,777	14%
Operating Income	$ 625,254	$ 467,418	34%
Net Income	$ 346,926	$ 245,136	42%
Net Income as a Percentage of Sales	7.5%	6.0%	
Net Income Per Share	$ 1.92	$ 1.36	41%
Dividends Per Share	$ .32	$ .24	33%

Year End Position

(Dollars and shares except per share amounts)

Total Assets	$2,418,486	$2,145,506	13%
Working Capital	$ 685,524	$ 567,639	21%
Current Ratio	2.4	2.2	
Long Term Debt	$ 445,674	$ 517,952	(14%)
Debt-to Equity Ratio	36%	55%	
Shareholders' Equity	$1,240,454	$ 946,207	31%
Return on Average Shareholders' Equity	32%	29%	

Stores Open at End of Year

Limited Stores	766	754
Express	469	418
Victoria's Secret	384	328
Lerner	802	784
Lane Bryant	720	687
Abercrombie & Fitch	26	25
Henri Bendel	1	1
Lerner Woman/Sizes Unlimited	-	384
Total Number of Stores	3,168	3,381
Selling Square Feet (thousands)	14,374	14,296

Dear Partner:

In 1990, we begin the most promising, the most exciting and, for me, the most challenging phase of our business. We have the opportunity to achieve by the mid-1990s:

- **$10 billion in sales**
- **10% in after tax profits**

As always, we're beginning with a basic fact of our business: Retail is detail. The success of our business has been, and will always be, based on paying attention to the details—the hundreds and thousands of details that ensure quality. Quantity never drives anything—quality does. So we achieve and measure success qualitatively not quantitatively . . . substance, real skills, real knowledge and execution are what make our business work.



Last year I said: Nothing happens until the customer says, "I'll take it." She always comes first. The future clearly belongs to those merchants who really understand this and can respond to the changing needs of their customers . . . and do it fast. With our customer uppermost in our minds, we're heading into the 1990s emphasizing:

- **Reinvention and redefinition** of the women's specialty store business, because it needs to be done;
- **Financial stability,** because it's the foundation for our continued growth.

From 1963 to 1982, by focusing exclusively on the women's specialty apparel business, we built the nation's premier women's apparel company—**The Limited Stores**—and grew it from one store in 1963 to 766 stores with sales of $1.25 billion in 1989. I believe Limited Stores has the potential for sales to exceed $3 billion and improve on its pacesetting margins.

In 1980, after 17 years with a single focus, we created a new business, **Express**, which prior to becoming a separate business in 1982 had eight stores and sales of

"Quantity never drives anything-



does"

$2 MILLION. TODAY, WITH 469 STORES, EXPRESS IS ONE OF THE FASTEST GROWING WOMEN'S APPAREL COMPANIES IN THE WORLD. WE ANTICIPATE EXPRESS SALES TO REACH $1 BILLION BY 1992.

IN MID-1982 WE MADE SEVERAL ACQUISITIONS, STAYING IN THE MARKET WE KNEW BEST—WOMEN'S APPAREL—BY ACQUIRING:

- VICTORIA'S SECRET, A TROUBLED FOUR STORE AND CATALOGUE BUSINESS THAT SOLD LINGERIE.

WE SAW AN OPPORTUNITY TO INVENT A NATIONAL LINGERIE BUSINESS AND HAVE SUCCEEDED IN BUILDING IT TO A POINT WHERE TODAY OUR 384 LINGERIE STORES AND MILLIONS OF LINGERIE CATALOGUES HAVE MADE VICTORIA'S SECRET ONE OF THE FASTEST GROWING AND MOST PROFITABLE LINGERIE BRANDS IN THE U.S. WITH A SALES POTENTIAL OF $2 BILLION.

- LANE BRYANT, A 222 STORE FRANCHISE, WHEN ACQUIRED.

TODAY, LANE BRYANT IS THE U.S.'S FOREMOST APPAREL RETAILER FOR LARGE SIZES, WITH 720 STORES AND A SALES POTENTIAL OF $2 BILLION.

IN 1985, WE ACQUIRED LERNER, WHICH HAD SALES OF $624 MILLION. TODAY, LERNER IS ONE OF THE NATION'S LEADING MODERATE-PRICE RETAILERS WITH 802 STORES. WE ARE CONFIDENT THAT IN 1990 SALES WILL EXCEED $1 BILLION WITH THE POTENTIAL TO AT LEAST DOUBLE BY THE MID-1990S.

DESTINATION

WITH THE ACQUISITION OF HENRI BENDEL IN 1985 AND ABERCROMBIE & FITCH IN 1988, WE TOOK ADVANTAGE OF LOW COST OPPORTUNITIES TO ACQUIRE TWO UPSCALE FRANCHISES, BOTH OF WHICH PROMISE TO BECOME LEADERS IN THEIR MARKET SEGMENTS. WE'VE ALREADY ACTED ON PLANS TO EXPAND BENDEL FROM ONE STORE TO FOUR, INCREASING ITS SELLING SQUARE FOOTAGE FROM 14,000 TO 137,000. OUR NEW ABERCROMBIE & FITCH STORES IN COLUMBUS AND BOSTON, WHICH REPRESENT THE FIRST STEP IN A NEW CONCEPT, ARE ALREADY PERFORMING AT SIGNIFICANTLY HIGHER SALES LEVELS THAN THE AVERAGE ABERCROMBIE & FITCH STORE. EACH OF THESE QUALITY BUSINESSES HAS THE POTENTIAL TO BE A $1 BILLION BUSINESS.

REINVENTING THE BUSINESS

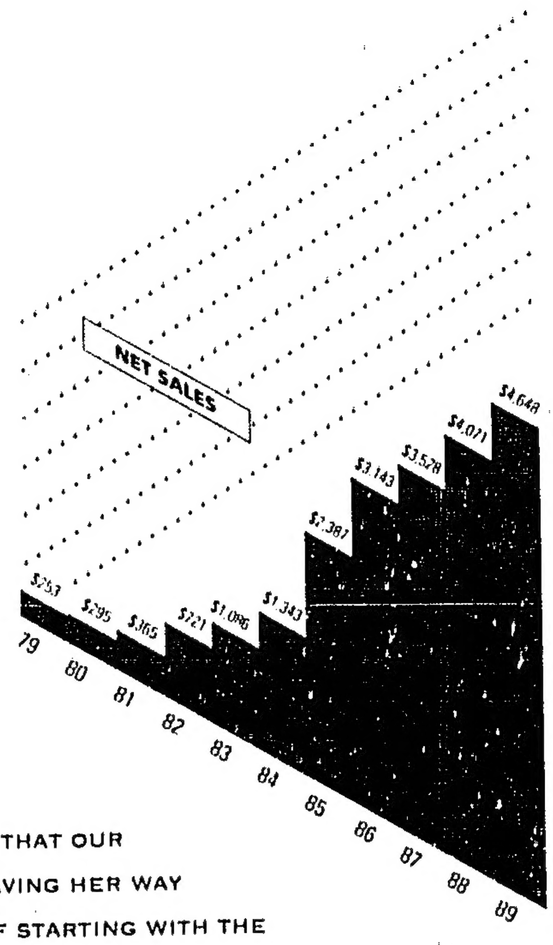
IN THE 1960S, AS A RESULT OF SUBURBANIZATION, INTERSTATE HIGHWAYS, RESIDENTIAL DEVELOPMENT AND A POPULATION EXPLOSION, REGIONAL SHOPPING MALLS BEGAN TO APPEAR THROUGHOUT THE U.S. LANDSCAPE. DOWNTOWN DEPARTMENT STORES ANCHORED THE MALLS

Bigger isn't necessarily better . . . better is better.

WITH SPECIALTY STORES FILLING THE SPACES BETWEEN THE GIANT RETAILERS. WITH EVERY NEW SHOPPING CENTER CAME MORE GROWTH OPPORTUNITIES FOR SPECIALTY RETAILERS. IN THOSE DAYS, IN RETROSPECT, THERE WAS NO TRICK TO BEING A SUCCESSFUL RETAILER—THE REGIONAL MALL WAS A NEW IDEA, AND TRAFFIC WAS SO HEAVY IN THE MALLS THAT YOU JUST HAD TO BE THERE TO BE PROFITABLE.

FOR ABOUT TWENTY YEARS, THE ANCHOR STORES WERE CLEARLY THE PRIME DESTINATION FOR SHOPPERS. THEY WOULD ENTER THESE STORES FIRST AND THEN SNAKE-DANCE THEIR WAY FROM SPECIALTY STORE TO SPECIALTY STORE.

BUT NOTHING STAYS THE SAME FOR LONG IN OUR BUSINESS—SHOPPING PATTERNS CHANGE AND RETAILERS SUCCEED ONLY BY RECOGNIZING AND CREATIVELY MANAGING CHANGE.



(in millions)
CAGR 34% (Compound Annual Growth Rate, last ten years.)

STORE

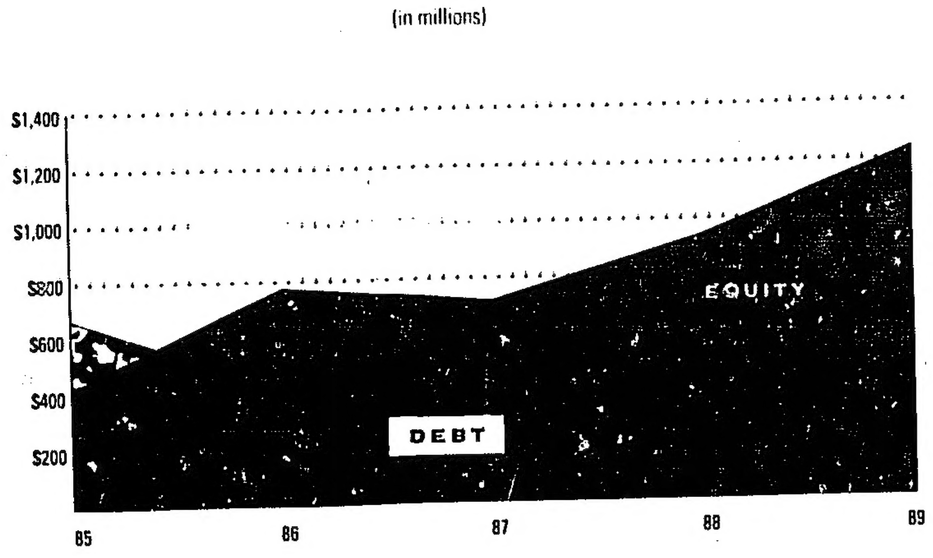
IN THE MID-1980S, WE NOTICED THAT OUR CUSTOMER WAS NO LONGER WEAVING HER WAY THROUGH THE MALL. INSTEAD OF STARTING WITH THE DEPARTMENT STORE, SHE WAS COMING DIRECTLY AND IMMEDIATELY TO OUR STORES—SHE WAS CHOOSING US FIRST. IN EFFECT, OUR CUSTOMER WAS REDEFINING THE "DESTINATION STORE" . . . AND LEADING US TO RETHINK THE POTENTIAL OF OUR BUSINESSES AS THE "DESTINATION STORES" OF THE 21ST CENTURY.

WE TOOK ACTION IN 1985 WHEN WE STARTED TO EXPERIMENT WITH THE SIZE OF OUR STORES, DEPARTING FROM THE TRADITIONAL 3,000 SELLING SQUARE FOOT FORMAT. IN 1987 AND 1988, WE BEGAN TESTING A STRATEGY OF 6,000, 20,000, EVEN 30,000 SQUARE FOOT STORES.

FROM OUR CUSTOMER'S POINT OF VIEW—WHICH IS THE ONLY POINT OF VIEW—OUR STRATEGY WORKED. THE PRODUCTIVITY AND PROFITABILITY OF LARGER FORMAT STORES IS UNDENIABLE. WHAT WE'RE FINDING, AND I DON'T WANT TO TELL ALL THE STATE SECRETS, IS THAT EVEN LARGER STORES ARE IN OUR FUTURE.

IN 1985, OUR STORES OCCUPIED PERHAPS 5% OF THE GROSS LEASABLE SPACE IN A TYPICAL REGIONAL MALL. TODAY, WHEN WE LOCATE ALL OF OUR RETAIL BUSINESSES IN A SINGLE MALL, WE WILL OCCUPY UP TO 25% TO 30% OF THE GROSS LEASABLE SPACE—100,000 TO 125,000 SQUARE FEET.

CURRENTLY WE HAVE 54 LARGE LIMITED STORES, 105 LARGE VICTORIA'S SECRET STORES, 49 LARGE EXPRESS STORES AND 50 LARGE LERNER STORES. IN THE FIRST YEARS OF OPERATION, THE LARGER STORES HAVE APPROACHED OR EXCEEDED THE DIVISION AVERAGE



OF SALES PER SQUARE FOOT. IF THESE LARGE STORES CONTINUE TO PERFORM AT THIS RATE, AND EVERY INDICATION SAYS THEY SHOULD, WE WILL REACH OUR $10 BILLION GOAL BY THE MID-1990S.

BUT THE LARGE FORMAT STORE IS JUST A PART OF OUR VISION. BIGGER ISN'T NECESSARILY BETTER . . . BETTER IS BETTER. WE NEVER LOSE SIGHT OF THAT. WE HEAR OUR CUSTOMER SAY SHE WANTS NEW IDEAS. AND THAT'S EXACTLY WHAT WE GIVE HER . . . NEW AND BETTER IDEAS.

- IN LATE 1987, LIMITED STORES CREATED **LIMITED TOO**, WHICH OFFERS LIMITED STORES' PRIVATE LABEL BRANDS IN CHILDREN'S SIZES. THIS HAS BEEN THE FASTEST GROWING AND MOST SUCCESSFUL START-UP IN OUR HISTORY. THEN, IN 1988, LIMITED STORES DEVELOPED A FRENCH LINGERIE SHOP, **CACIQUE**. BY THE END OF 1989, WE HAD 56 LIMITED TOO SHOPS AND 43 CACIQUE SHOPS.
- IN 1987, IN RESPONSE TO CUSTOMER DEMAND, EXPRESS OPENED ITS FIRST MEN'S SHOP, RECENTLY RENAMED **STRUCTURE**. IN A SHORT TIME, WE'VE MADE GREAT PROGRESS WITH THIS BUSINESS AND EXPECT TO FINISH 1990 WITH APPROXIMATELY 150 STRUCTURE SHOPS.
- IN NOVEMBER 1989, VICTORIA'S SECRET INTRODUCED ITS OWN BRAND OF TOILETRIES AND FRAGRANCES, A PROMISING ADDITION TO THE VICTORIA'S SECRET BUSINESS. BY YEAR-END 1990, WE EXPECT 110 **VICTORIA'S SECRET BATH SHOPS**.

THINK

THESE NEW BUSINESSES ARE SUCCEEDING BECAUSE WE REFUSE TO GROW OLD OR STALE. WE DEMAND OF OURSELVES CREATIVITY AND INNOVATION, AND WE CHALLENGE OUR OWN ASSUMPTIONS, CONVENTIONS AND PRACTICES. IN ORDER TO DO THIS, WE HAVE TO TAKE DELIBERATE RISKS AND CONTINUE TO THINK AND ACT SMALL.

HOW DO YOU KEEP YOURSELF AGILE AND QUICK WHEN YOU'RE A $10 BILLION ENTERPRISE? THE ANSWER IS, "YOU CAN'T." YOU HAVE TO BE AN AGGREGATION OF COMPANIES THAT THINK SMALL. THAT'S WHY WE KEEP THESE NEW BUSINESSES ENTREPRENEURIAL. EACH BUSINESS TAKES RESPONSIBILITY FOR ITS OWN DESTINY, WITH INDEPENDENT TEAMS OF MERCHANTS, MARKETERS, STORE OPERATORS, DISTRIBUTORS, ACCOUNTANTS AND INFORMATION SPECIALISTS. OUR PEOPLE ARE IN THE STORES, LISTENING TO THE CUSTOMER. SINCE SHE'S THE ONLY ONE WHO KNOWS WHAT SHE WANTS, THIS BASIC HANDS-ON APPROACH IS THE ONLY WAY TO ANTICIPATE AND REACT TO HER NEEDS.

FINANCIAL STABILITY

IN THE FACE OF RECENT ECONOMIC EVENTS WITHIN AND OUTSIDE OF RETAILING, MY COMMENTS OVER THE PAST SEVERAL YEARS ON THE IMPORTANCE OF FINANCIAL STABILITY AND STRENGTH HAVE NOW TAKEN ON NEW MEANING. WE'VE ALWAYS COMPETED FOR RESOURCES—PEOPLE, REAL ESTATE AND MERCHANDISE—AND WHAT I'VE COME TO LEARN IS THAT WHEN YOU HAVE TRUE FINANCIAL STRENGTH YOU HAVE A DISTINCT ADVANTAGE.

IF YOU TAKE A LOOK AT OUR BALANCE SHEET, YOU'LL FIND IT TELLS A VERY INTERESTING AND IMPORTANT STORY: OUR RECEIVABLES AT YEAR-END 1989 SUBSTANTIALLY EXCEEDED OUR DEBT. THE WORLD FINANCIAL NETWORK NATIONAL BANK, OUR NATIONALLY CHARTERED BANK SUBSIDIARY, BORROWS MONEY—ESSENTIALLY COMPRISING ALL OF OUR LONG-TERM DEBT—AND LENDS MONEY TO ITS CREDIT CARD CUSTOMERS—OUR ACCOUNTS RECEIVABLE. WHAT THIS MEANS IS THAT THE LIMITED, INC., AS A $4.6 BILLION RETAIL COMPANY, EFFECTIVELY HAS NO OPERATING DEBT. I MUST ADMIT THAT FOR ME THIS IS AN INSIGHTFUL WAY TO LOOK AT THE BUSINESS, FOR AS AN ENTREPRENEUR I THOUGHT I'D NEVER GET OUT OF DEBT.

We hear our customer say she wants new ideas.

THIS FINANCIAL STRENGTH GIVES US GREAT FLEXIBILITY AND A MEANINGFUL COMPETITIVE ADVANTAGE. IT ALSO GIVES US THE RESOURCES TO DO MORE THAN DAYDREAM ABOUT THE FUTURE—TO BE ABLE TO CREATE 21ST CENTURY SYSTEMS, TO REMODEL STORES, TO ADD 2.5 MILLION SQUARE FEET OF NEW SELLING SPACE, TO EXPAND OUR NEW BUSINESSES, TO ADD UP TO $1 BILLION IN SALES A YEAR, TO TEST AND TRY NEW THINGS, TO INVEST—AND ULTIMATELY TO ACHIEVE SALES OF $10 BILLION AND AFTER TAX PROFITS OF 10% BY THE MID-1990S. OUR ONLY LIMITATION IS OURSELVES.

SMALL

I TRULY BELIEVE WE'RE AT AN HISTORIC MOMENT IN OUR BUSINESS IN TERMS OF REINVENTING AND REDEFINING WHAT THE SUCCESSFUL SPECIALTY APPAREL RETAIL BUSINESS LOOKS LIKE. HOPEFULLY, WE HAVE THE VISION, THE SKILLS AND, MOST IMPORTANTLY, THE TALENTED ASSOCIATES TO HELP US REACH OUR GOAL OF $10 BILLION WITH A 10% AFTER TAX PROFIT MARGIN. AND WHAT EXCITES ME MOST IS THE OPPORTUNITY TO CONTINUE TO WORK WITH ALL OF YOU IN MAKING THIS DREAM COME TRUE.

LESLIE H. WEXNER CHAIRMAN

Leslie H. Wexner



CACIQUE —

LIMITED TOO —

THE



LIMITED

Businesses that don't change are the ones that die. So we don't ever take a deep breath and think for one second that we've figured it out. The vitality in our business comes from changing with the needs of our customer. That's why we're always questioning assumptions, looking forward and trying the next idea.

The best laboratory is doing something quickly at retail. So we avoid analysis paralysis and get something that we're thinking about in front of the customer. From the moment our new large format stores opened, you could see the customer response. Some even cried. For too long, retailing forgot about sizzle—excitement for the customer is what really makes it happen. We want her vote!

The woman of the nineties wants a store that offers her international style and better assortments for the choices in her life, from career dressing to active sportswear. Add to that a combination of better lingerie, children's clothes and great customer service and you have The Limited—upscale, fashion-forward, very customer-oriented and a great shopping experience.

Every day our opportunity gets even larger than I previously thought. With the largest potential customer base in the U.S., skilled and creative associates and focused strategies, we're primed for the largest growth opportunity in American retailing. And all Limited associates are ready to "seize" the opportunity.

Verna Gibson President

Verna Gibson

YEAR FOUNDED
1963

NO. OF STORES
766

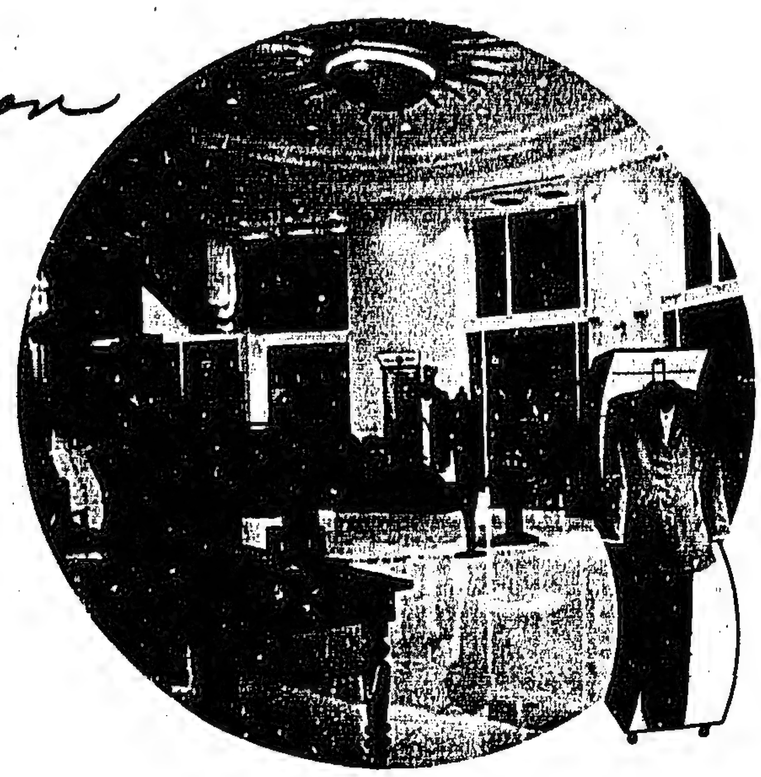
1989 SELLING
SQ. FT. 3,361,000

AVERAGE SIZE OF STORE
(average selling sq. ft.)



1985 3,570 sq. ft.
1990 10,600 sq. ft.
(under construction)

PERSONAL SERVICE



Compagnie Internationale

EXPRESS



OUR CUSTOMERS TAKE FASHION SERIOUSLY ENOUGH TO HAVE FUN WITH IT.

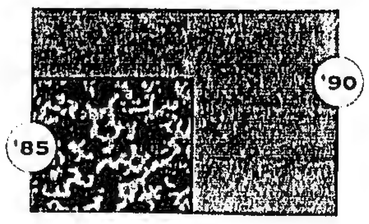








AVERAGE SIZE OF STORE
(average selling sq ft)



1985 2,370 sq ft
1990 7,100 sq ft
(under construction)





YOU NEVER GET TO GREAT SALES BY THINKING ABOUT THE BOTTOM LINE FIRST. YOU HAVE TO START WITH YOUR CUSTOMERS, BECAUSE THEY MAKE THE BUSINESS HAPPEN.

AND EVERYTHING WE DO IS GEARED TOWARDS THEM. IF WHAT WE DO IS RIGHT, THEY UNDERSTAND IT. IF THEY DON'T UNDERSTAND IT, THEN IT'S NOT RIGHT.

OUR CUSTOMERS ARE DISTINCTIVE. THEY'RE SPIRITED, MODERN, UP-TO-THE-MINUTE, AND THEY TRUST THEIR TASTE. THEY TAKE FASHION SERIOUSLY ENOUGH TO HAVE FUN WITH IT. IT'S THROUGH FASHION THAT THEY PRESENT THEMSELVES TO THE WORLD.

THEY'RE THE REASON OUR STORES HAVE A REAL LOOK, COMBINING SOPHISTICATION AND WHIMSY.

THEY'RE THE REASON OUR FASHIONS ARE CONSTANTLY CHANGING, KEEPING AHEAD OF THE TIMES.

THEY'RE THE REASON WE ENCOURAGE OUR ASSOCIATES TO BE ADVENTUROUS, TO BE CREATIVE, TO STEP OUT.

WE KNOW THAT NO MATTER HOW MUCH GOOD FAITH AND TRUST OUR CUSTOMERS HAVE IN US, IF WE DON'T HAVE WHAT THEY WANT, THEY'RE NOT GOING TO COME BACK JUST BECAUSE THEY LIKE US. SO WE KEEP THINGS VERY FAST AND VERY GOOD. THEY'RE SMART, SO WE HAVE TO BE SMART.

GREAT RETAILERS ARE ALWAYS REDEFINING, REINVENTING AND REEVALUATING. THEY DON'T MAKE PROMISES THEY CAN'T LIVE UP TO. SO WHEN WE PROMISE OUR CUSTOMERS THE BEST QUALITY, THE NEWEST LOOK, AND THE BEST SERVICE, WE DELIVER.

IN THE NEXT FIVE YEARS EXPRESS IS GOING TO BE THE PREMIER SPORTSWEAR BRAND IN THE U.S. HOW? BY DOING EVEN BETTER WHAT WE'RE DOING NOW—FOCUSING ON OUR CUSTOMERS.

MICHAEL A. WEISS PRESIDENT

Michael Weiss

EXP

YEAR FOUNDED
1980

NO. OF STORES
469

1989 SELLING SQ. FT.
1,735,000


1988 SELLING SQ. FT.
5,095,000

FOUNDED IN
1918







NUMBER OF STORES
802





Lerner
NEW YORK

No one in this industry has ever had the kind of opportunity Lerner New York has now—no one. The moderate-price market is the largest fashion market in the U.S., and we're the only retailer effectively addressing this customer on a national level.

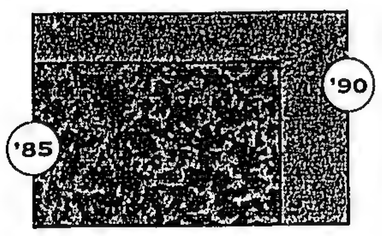
However, we do not lead with price, we lead with quality. After all, good is good, and people at every economic level respond to quality products, outstanding service and a wonderful shopping experience.

We want the Lerner New York customer to come in because she loves the clothes and loves the store. Then, when she picks up a garment and says, "Wow, this is only—," the price is a pleasant surprise, not the reason she walked into the store.

Our customer is the only one who can determine if we're successful. So we ask her questions and we listen to and act on her answers. We have customer comment cards at every cash register and direct phone lines to management installed in some of our stores. Our customer knows what she likes. If we're not meeting her needs, she's very vocal about it.

Real service is critical to our strategy. You don't have a happy customer if she has to stand in a long line in a pretty store waiting to purchase her merchandise, and you don't have a pretty store for long if you don't pay attention to detail and service. Therefore, we not only have beautiful stores and quality merchandise, we have a "No Compromise Commitment" to customer service.

AVERAGE SIZE OF STORE
(average selling sq. ft.)



1985 6,450 sq. ft.
1990 8,900 sq. ft.
(under construction)

Robert C. Grayson President

Robert C Grayson

10.11 LIMITED, INC.

LANE BRYANT

FIFTH AVENUE



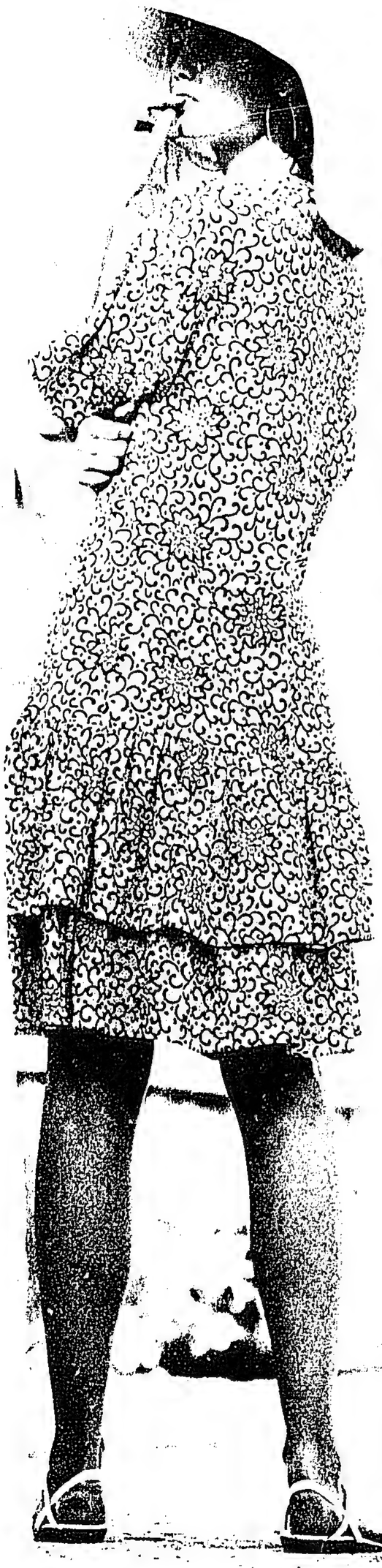
FASHION ISN'T A SIZE. IT'S AN ATTITUDE. OUR CUSTOMER IS AS INTERESTED IN QUALITY, STYLE AND SERVICE AS ANY OTHER WOMAN IN AMERICA. SO WE LOOK AT THE FASHION TRENDS —THE FASHIONS THAT ARE SELLING IN EVERY SIZE RANGE— AND CREATE THAT FASHION TO FIT THE LARGER-SIZE WOMAN.

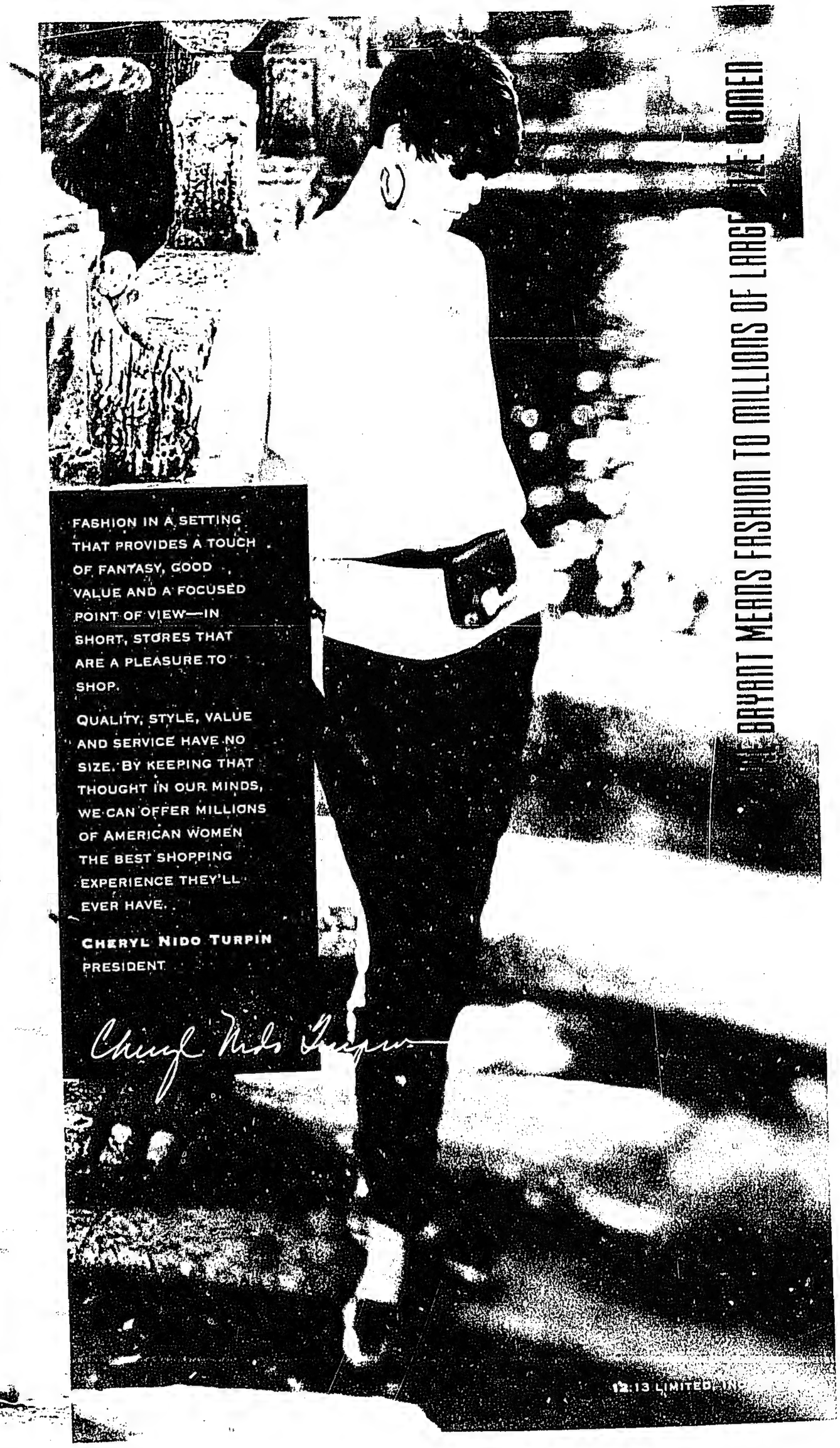
WE HAVE A COMMITMENT TO OUR CUSTOMERS, AND WE HONOR THAT BY PAYING ATTENTION TO HER NEEDS AND HAVING RESPECT FOR WHAT SHE SELECTS. SHE TELLS US WHAT SHE LIKES, AND

THEN WE FOCUS ON THAT MERCHANDISE.

THAT'S WHY WE CARRY A WIDE ASSORTMENT OF THE MERCHANDISE THAT'S REALLY IMPORTANT TO HER,—DRESSES, SPORTSWEAR AND INTIMATE APPAREL.

OUR ASSOCIATES ARE OUR GREATEST ADVANTAGE IN MEETING OUR CUSTOMER'S DEMANDS. THEIR ENTHUSIASM AND DEDICATION TO OUR CUSTOMER IS WHAT MAKES THE STORES WORK. AND THEY PAY SPECIAL ATTENTION TO DETAILS. IT'S BY FOCUSING ON THE DETAILS THAT WE'VE BEEN able TO OFFER





FASHION IN A SETTING THAT PROVIDES A TOUCH OF FANTASY, GOOD VALUE AND A FOCUSED POINT OF VIEW—IN SHORT, STORES THAT ARE A PLEASURE TO SHOP.

QUALITY, STYLE, VALUE AND SERVICE HAVE NO SIZE. BY KEEPING THAT THOUGHT IN OUR MINDS, WE CAN OFFER MILLIONS OF AMERICAN WOMEN THE BEST SHOPPING EXPERIENCE THEY'LL EVER HAVE.

CHERYL NIDO TURPIN
PRESIDENT

Cheryl Nido Turpin

BRYANT MEANS FASHION TO MILLIONS OF LARGE SIZE WOMEN

12:13 LIMITED, INC.

Authorized Purveyor

VICTORIA'S SECRET

No 10 MARGARET STREET · LONDON W1

YEAR ACQUIRED
1982

NO. OF STORES
384

1989 SELLING SQ. FT. 966,000



Sensual

When we acquired Victoria's Secret, it was a great idea and a losing business. So we "re-founded" the business, and today it's both a great idea and a great business. And it's going to get even better.

In the last three years, we've opened between 60 and 90 new stores a year. Common wisdom says it's impossible to do this—you can't get enough qualified associates or enough merchandise and you can't control it. Everything says you can't. But we can and we do because we have a concise, aggressive, interested and motivated group of uncommon associates who can accomplish anything.

Every associate can make things happen in this business and each one is at the core of our success. We're partners who work together, listen to each other and, most importantly, listen to the customer.

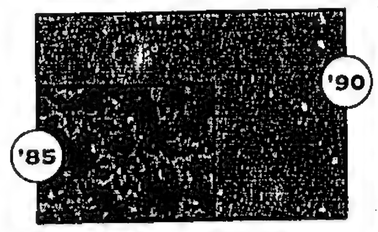
The message at Victoria's Secret is: "Try new things and don't be afraid to fail." Smart people fail, they make mistakes. If you don't fail sometimes, you're not trying unique, innovative ideas. Playing it safe only works well for a short period of time, and then it's really deadly because our customer is more forward thinking, more educated and more worldly than 99 percent of the retailers in America give her credit for.

And she's the one who decides. We have polling booths out there—they're called cash registers—and the customer is the only one who votes. We intend to get that vote every day.

Howard Gross president

Howard Gross

AVERAGE SIZE OF STORE
(average selling sq. ft.)



1985 1,450 sq. ft.
1990 3,900 sq. ft.
(under construction)






INTIMATE APPAREL AND PERSONAL LUXURY



GLAMOROUS, STYLISH, FASCINATING UNIQUE

N E W Y O R K B O S T O N C H I C A G O C O L U M B U S

HENRI BENDEL
New York



"Need knockout hat for Anna's Garden Party."



Must get custom lipstick to match new outfit-



Wish I had my own Buster.

THERE'S NO READY-MADE BLUEPRINT FOR WHAT WE'RE DOING AT BENDEL'S, NO PLAN WE CAN FOLLOW, BECAUSE IT DOESN'T EXIST. WE'RE INVENTING A COMPLETELY NEW SHOPPING EXPERIENCE. AND WE'VE TAKEN A DEFINITE POINT OF VIEW—WE'RE CREATING A FANTASY ENVIRONMENT, NOT SIMPLY A STORE. IT'S GLAMOROUS, STYLISH, FASCINATING AND UNIQUE—JUST LIKE OUR CUSTOMER.

OUR GOAL IS TO HAVE HER FEEL COMFORTABLE AND PAMPERED IN SMALL-SCALE, INTIMATE SHOPPING ENVIRONMENTS THAT ARE CONSTANTLY SURPRISING. WHEN SHE WALKS INTO OUR STORE, SHE'S NOT GOING TO HAVE TO LOOK THROUGH HUNDREDS OF RACKS TO FIND WHAT SHE LIKES. SHE'LL KNOW THAT WE'VE SELECTED FOR HER—THE THINGS SHE SEES ARE THE THINGS SHE REALLY WANTS TO BUY. WHEN SHE WALKS INTO BENDEL'S, SHE'S GOING TO HAVE FUN AND EXPERIENCE A SENSE OF DISCOVERY.

WE WANT HER TO SAY "I AM TREATED BETTER HERE THAN ANYPLACE ELSE I SHOP." AND EVERYTHING WILL BE EASY FOR HER BECAUSE EVERYTHING WE THINK ABOUT IS CUSTOMER DRIVEN—FROM THE FINEST IN FASHION TO OUR LEGENDARY PERSONAL SERVICE.

OF COURSE, IT'S GOING TO TAKE HARD WORK AND ALL OF OUR ASSOCIATES ARE DEDICATED TO THAT. THEY'RE GOING TO MAKE HENRI BENDEL THE ULTIMATE SHOPPING ENVIRONMENT—A "LADIES PARADISE" TO SHOP.

SUSAN FALK PRESIDENT

Susan Falk

Only at Bendel's



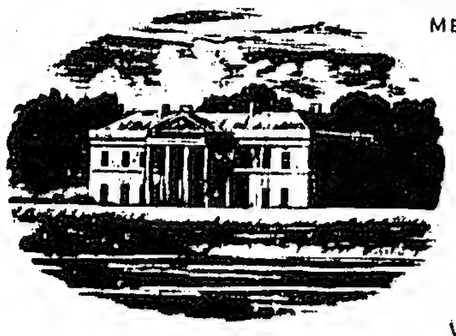

YEAR FOUNDED 1892
1989 SELLING SQ FT 166,000
NUMBER OF STORES 26
ABERCROMBIE & FITCH
Estab. 1892



ESTABLISHED IN 1892, ABERCROMBIE & FITCH HAS LONG BEEN A SPECIAL PLACE TO EXPLORE AND SHOP FOR THE UNIQUE AND EVEN QUIRKY.

WE ARE RICH IN TRADITION AND HERITAGE. OUR VERY NAME EVOKES A SENSE OF ADVENTURE AND A COMMITMENT TO QUALITY. SINCE THE ACQUISITION OF THIS UNIQUE BUSINESS BY THE LIMITED IN 1988, WE HAVE BEEN RECALLING THE VALUES OF DAVID ABERCROMBIE AND EZRA FITCH, WHILE FULFILLING THE EXPECTATIONS OF NEW CUSTOMERS DISCOVERING US TODAY.

BUT UNDERLYING THIS TONE OF A SHOPPING ADVENTURE WAS A DEEP-ROOTED COMMITMENT TO THE CUSTOMER AND THE QUALITY OF THE PRODUCT. EZRA FITCH EXPRESSED THIS BEST WHEN HE WROTE, "OUR CONTINUED EXISTENCE IN THIS BUSINESS MEANS THAT EACH SALE WE MAKE BRINGS US A CONTINUED AND PERMANENT PATRONAGE THROUGH THE SHEER MERIT OF OUR GOODS."



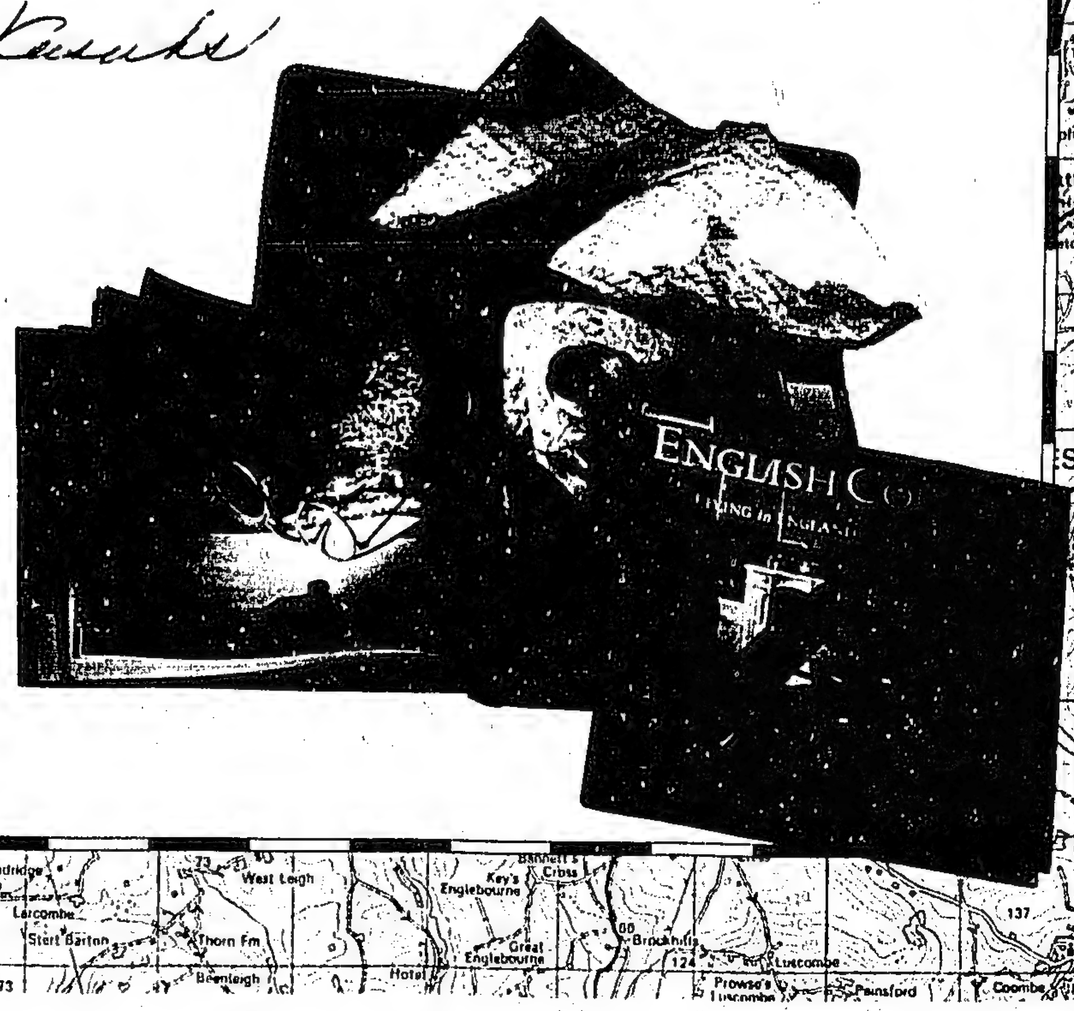
TO THIS END, WE ARE FOCUSING ON BUILDING A RELATIONSHIP WITH OUR CUSTOMERS BASED ON FINE APPAREL FOR MEN AND WOMEN, INTRIGUING BOOKS, GENTLEMEN'S GROOMING AND TOILETRIES, WOMEN'S APPAREL AND UNIQUE GIFTS.

WHAT IS SO EXCITING TODAY AS WE REINVENT OUR BUSINESS IS THAT THE ENTHUSIASM FOR THE BUSINESS IS CONTAGIOUS. WE HAVE ESTABLISHED SOME VERY AMBITIOUS GOALS, BUT KNOW THAT WITH THE TALENT AND ENTHUSIASM OF OUR ASSOCIATES WE WILL BE ABLE TO EXECUTE THESE OBJECTIVES.

AND THAT'S WHAT THE ABERCROMBIE & FITCH ORGANIZATION IS ABOUT TODAY—SCOURING THE GLOBE FOR THE BEST MERCHANDISE WE CAN FIND AND CREATING ENGAGING STORES THAT EVOKE A SENSE OF EXCITEMENT AND A COMMITMENT TO QUALITY MERCHANDISE AND SERVICE.

SALLY FRAME KASAKS PRESIDENT

Sally Frame Kasaks





ENERGY RUNS THROUGH THE WHOLE ORGANIZATION. OUR ASSOCIATES ARE PROUD OF WHAT THEY DO, AND AS THE CUSTOMER RESPONDS, THEY GET PROUDER AND WORK HARDER. AND SUCCESS HAS MADE US EVEN MORE DETERMINED TO SET LARGER GOALS FOR THE FUTURE.

In 1989, Victoria's Secret Catalogue's

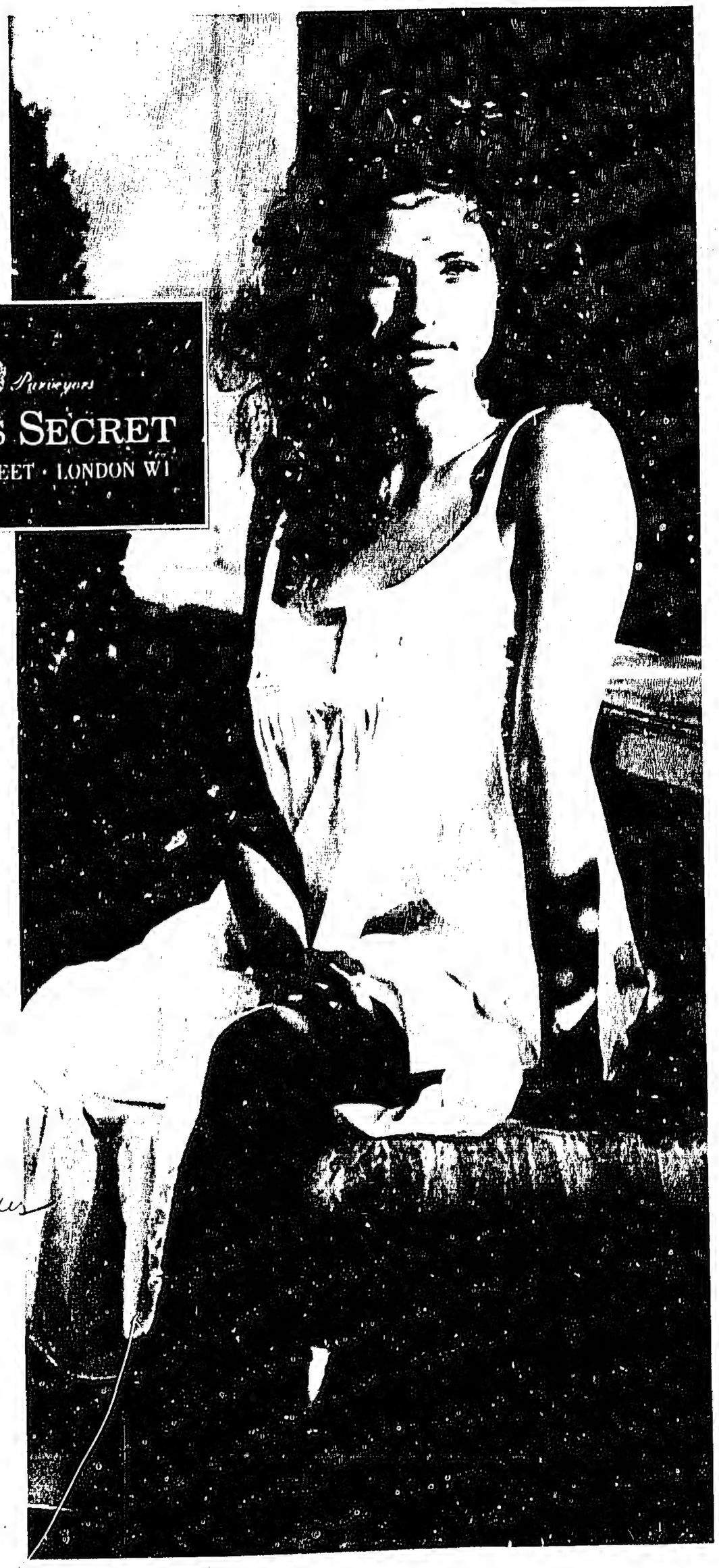
SALES AND INCOME DOUBLED. THAT JUST DOESN'T HAPPEN BY ACCIDENT. IT HAPPENED BECAUSE WE HAVE A COLLECTION OF SMART PEOPLE WHO WORK HARD, WHO ARE COMMITTED TO GOING FULL THROTTLE EACH DAY TO SERVE OUR VERY SPECIAL CUSTOMER.

TO GO FORWARD, WE HAVE TO STAY THE SAME AND CHANGE AT THE SAME TIME. WE HAVE TO KEEP OUR ENTREPRENEURIAL SPIRIT, OUR HANDS-ON ATTITUDE, OUR ENERGY LEVEL, OUR FOCUS ON THE CUSTOMER, AND OUR WILLINGNESS TO ACT ON NEW IDEAS. IF SOMEONE COMES UP WITH AN IDEA, SOMEONE ELSE WILL SAY, "THAT'S A GREAT IDEA," AND SOMEONE ELSE MAKES IT HAPPEN. AND THAT CAN'T CHANGE. WHAT IS GOING TO CHANGE IS THAT OUR QUALITY IS GOING TO IMPROVE AND SO IS OUR 24 HOUR SHIPPING PERCENTAGE—80% TODAY WILL BE 90% TOMORROW.





EVERY WOMAN HAS A SECRET



Authorised Purveyors

VICTORIA'S SECRET

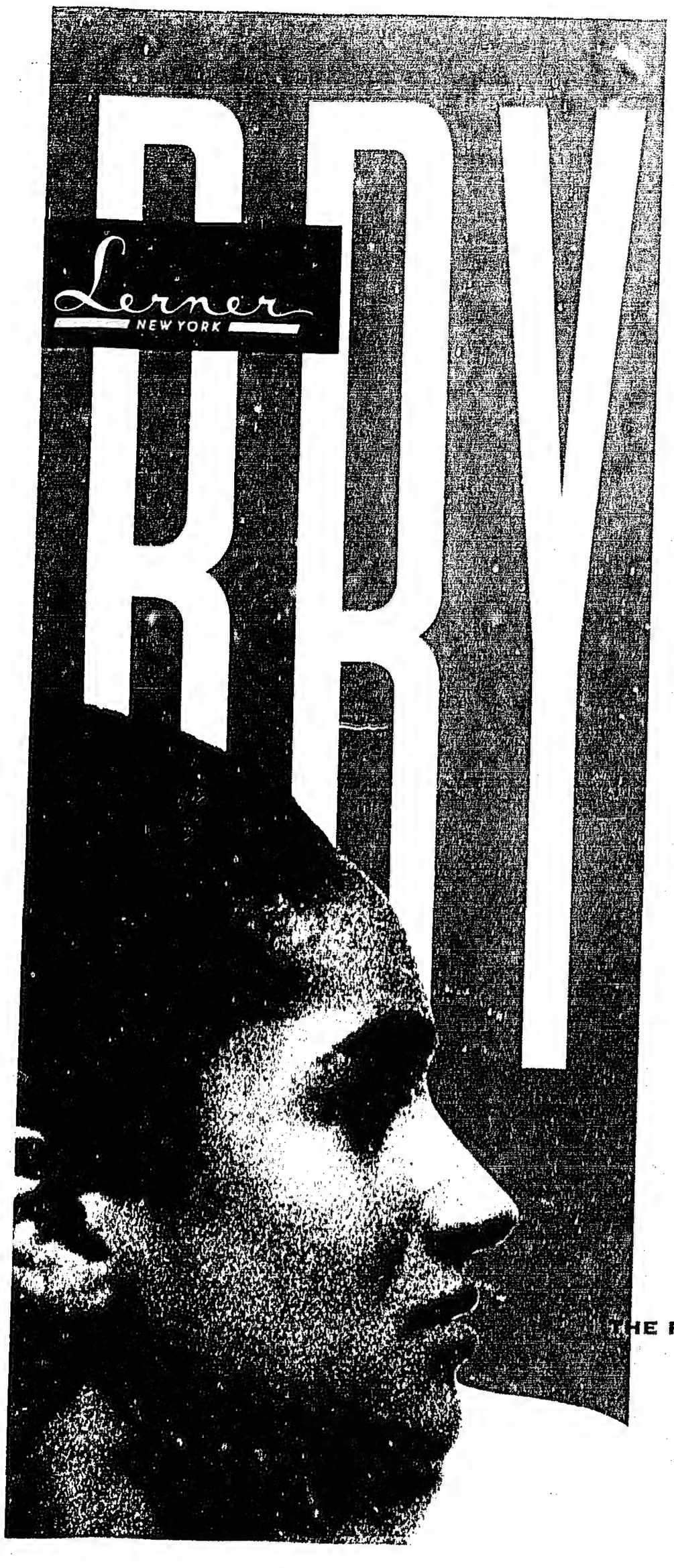
Nº 10 MARGARET STREET · LONDON W1

CATALOGUE

BUT NONE OF THIS WOULD MAKE ANY DIFFERENCE IF WE DIDN'T LISTEN TO OUR CUSTOMER. SHE WANTS A QUALITY IMAGE AND A QUALITY PRODUCT AT AFFORDABLE PRICES. WE GIVE OUR CUSTOMER SOMETHING NEW, LISTEN TO HER, REACT AND GO ON. IN FACT, THAT'S THE SECRET TO OUR BUSINESS – LISTENING AND RESPONDING WELL. AND THAT'S WHAT WE'LL CONTINUE TO DO!

CYNTHIA FEDUS
PRESIDENT

Cynthia Fedus



ROAMAN'S



THE FASHION I WANT, AT THE RIGHT PRICE . . .





LANE BRYANT
FIFTH AVENUE

IN ORDER TO GROW, WE'VE BEEN THINKING SMALL.
ON APRIL 24, 1989, WE DIVIDED OUR DIVISION INTO THREE SEPARATE CATALOGUE BUSINESSES, LERNER NEW YORK, ROAMAN'S AND LANE BRYANT FIFTH AVENUE.

WHY?

TO GET CLOSER TO OUR CUSTOMER . . .
TO LISTEN TO HER.

WHAT'S HAPPENED?

WE'VE REDESIGNED OUR CATALOGUES OR, IN ESSENCE, BEAUTIFIED THE STORES, MAKING THEM MUCH MORE ATTRACTIVE AND APPEALING TO THE CUSTOMER.

WE'RE LIVING CUSTOMER SERVICE—THROUGH OUR GUARANTEED RETURN POLICY, OUR SPEEDY DELIVERY AND OUR PERSONALIZED SERVICE. IF A CUSTOMER HAS A QUESTION OR A PROBLEM, IF SHE SAYS, "I'VE BEEN HAVING TROUBLE GETTING THE RIGHT FIT," SHE SIMPLY HAS TO CALL OR WRITE, AND WE RESPOND IMMEDIATELY. A SPECIALLY TRAINED SALES ASSOCIATE GOES OUT TO THE WAREHOUSE, INSPECTS THE MERCHANDISE AND CALLS HER BACK WITH THE INFORMATION SHE NEEDS. IT'S TRULY PERSONAL SERVICE.

WE WANT OUR CUSTOMER TO BE HAPPY TO DO BUSINESS WITH US NOT JUST BECAUSE WE HAVE THE QUALITY MERCHANDISE SHE WANTS IN THE SIZES THAT FIT, BUT BECAUSE WE CARE ABOUT HER.

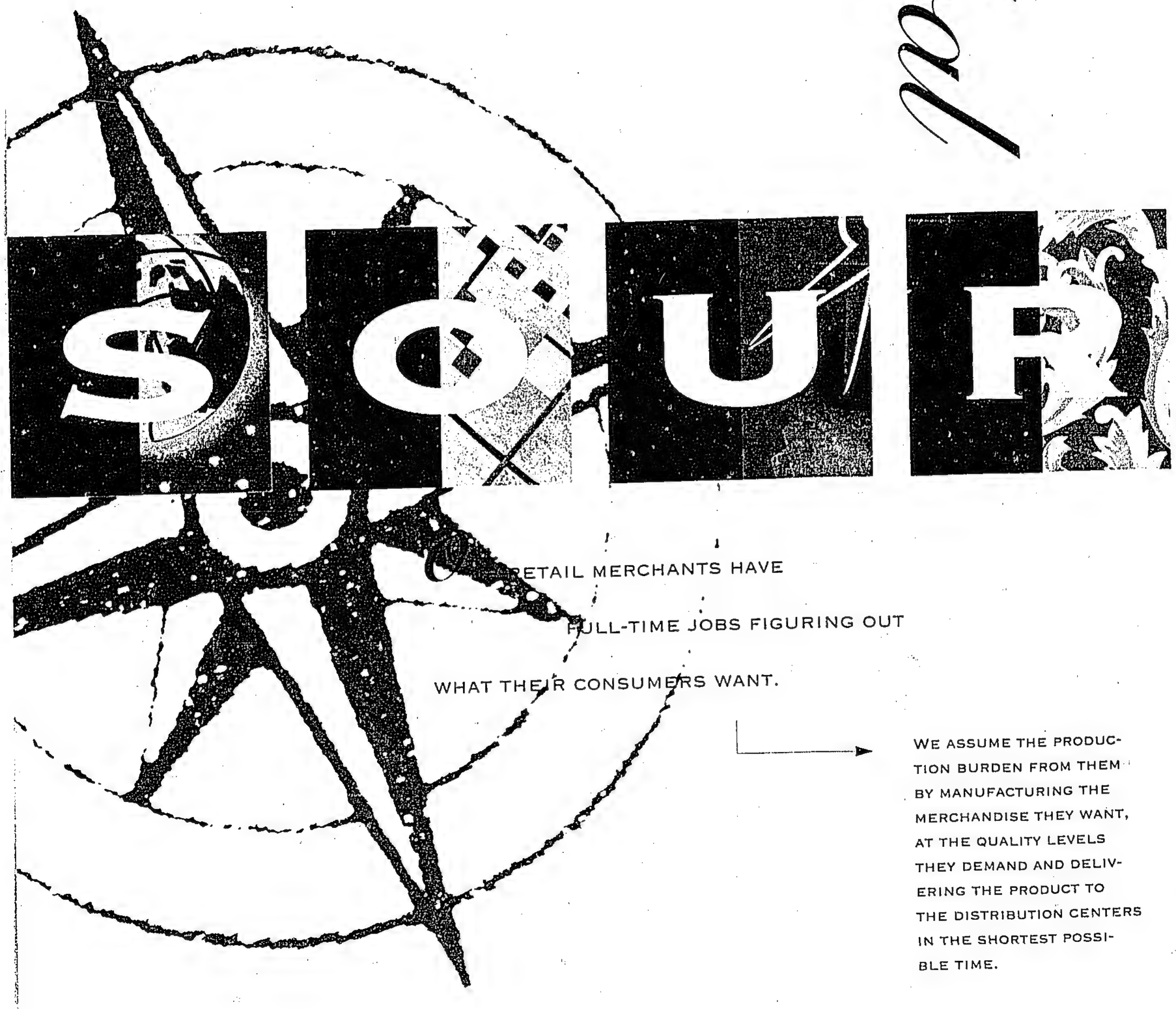
IT'S A NEW ERA FOR BRYLANE . . . AND WE'RE REFOCUSING THE BUSINESS ONE CUSTOMER AT A TIME.

PETER J. CANZONE PRESIDENT

Peter J. Canzone

MAST INDUSTRIES

Stock



RETAIL MERCHANTS HAVE

FULL-TIME JOBS FIGURING OUT

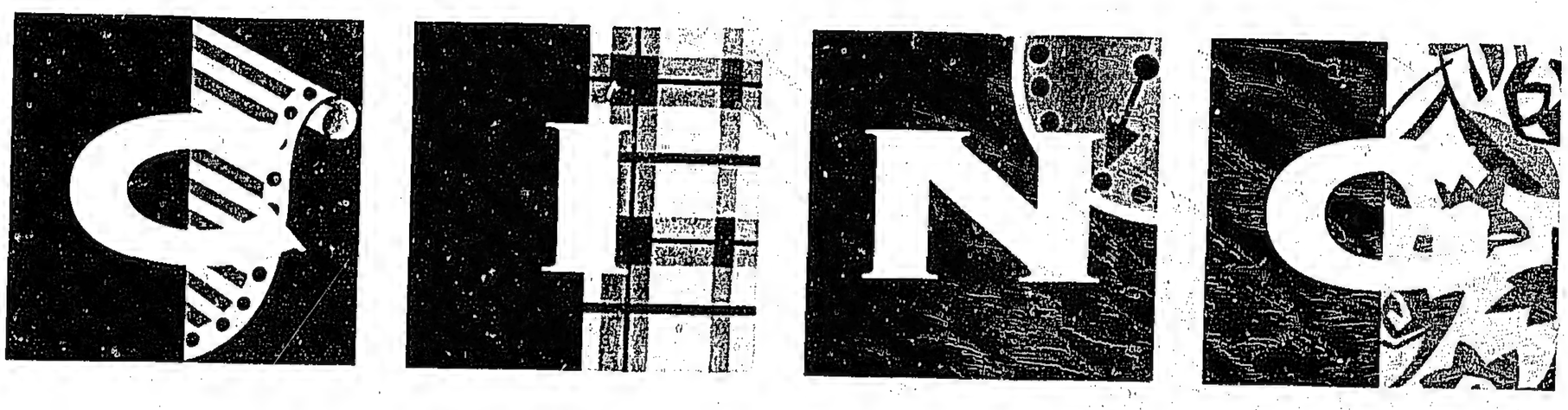
WHAT THEIR CONSUMERS WANT.

WE ASSUME THE PRODUCTION BURDEN FROM THEM BY MANUFACTURING THE MERCHANDISE THEY WANT, AT THE QUALITY LEVELS THEY DEMAND AND DELIVERING THE PRODUCT TO THE DISTRIBUTION CENTERS IN THE SHORTEST POSSIBLE TIME.

A GLOBAL APPROACH TO SOURCING IS ONE ASPECT OF OUR SUCCESS.

FOR THE FIRST 20 YEARS OF OUR BUSINESS, WE CONCENTRATED ON THE PACIFIC RIM. FOUR YEARS AGO, WE MADE THE DECISION TO BRANCH INTO THE MIDDLE EAST. NOW WE'RE SETTING UP OPERATIONS IN EUROPE AND EXPANDING OUR INVOLVEMENT IN SOUTHEAST ASIA. IN EVERY VENTURE, WE LOOK TO CULTIVATE LONG-TERM, COOPERATIVE RELATIONSHIPS THAT INSURE QUALITY MERCHANDISE.

WE STAY ON THE CUTTING EDGE OF TECHNOLOGY. AND WE ATTEMPT TO BE SMART IN THE WAY WE APPLY TECHNOLOGY—TO PRODUCT DEVELOPMENT, MANUFACTURING, QUALITY CONTROL AND DELIVERY SYSTEMS. OUR GOAL IS TO RESPOND QUICKLY TO OUR CUSTOMERS . . . SPEED AND QUALITY ARE IMPERATIVE IN TODAY'S INTERNATIONAL BUSINESS ENVIRONMENT.



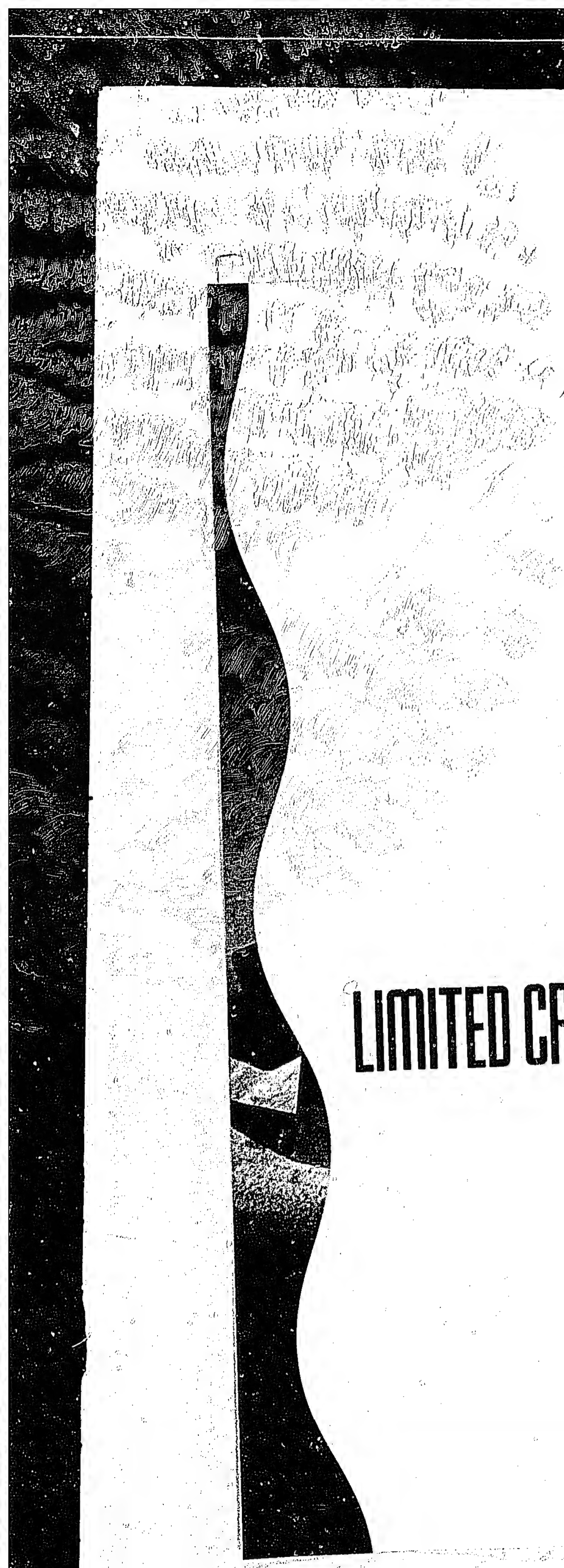
A GLOBAL APPROACH TO SOURCING IS ONE ASPECT OF OUR SUCCESS. THE OTHER IS SPEED. THIS COMBINATION HAS MADE US ONE OF THE LARGEST PRODUCERS OF WOMEN'S FASHION APPAREL IN THE WORLD.

IF WE CONTINUE TO STAY FAST AND SMART ABOUT OUR BUSINESS, WE'LL NOT ONLY MAINTAIN OUR POSITION IN THE INDUSTRY—WE'LL REPLENISH OUR STORES WITH FASHION-RIGHT, QUALITY MERCHANDISE IN RECORD TIME.

MARTIN TRUST PRESIDENT

Martin Trust

24.25 LIMITED, INC.



LIMITED CREDIT SERVICES

ANYTHING THAT IS SIMPLE HAS THE POTENTIAL TO BE QUICK AND RESPONSIVE. THAT'S WHY IN 1989 WE BECAME THE FIRST RETAILER IN THE COUNTRY TO TRANSFORM OUR CREDIT DIVISION INTO A NATIONAL BANK.

WITH OUR PARTNERS, THE LIMITED'S RETAIL AND CATALOGUE DIVISIONS, WE NOW ARE GIVING OUR CREDIT CARD CUSTOMERS THE SERVICE THEY DESERVE. TO SERVE OUR CUSTOMERS EVEN BETTER, WE ARE:

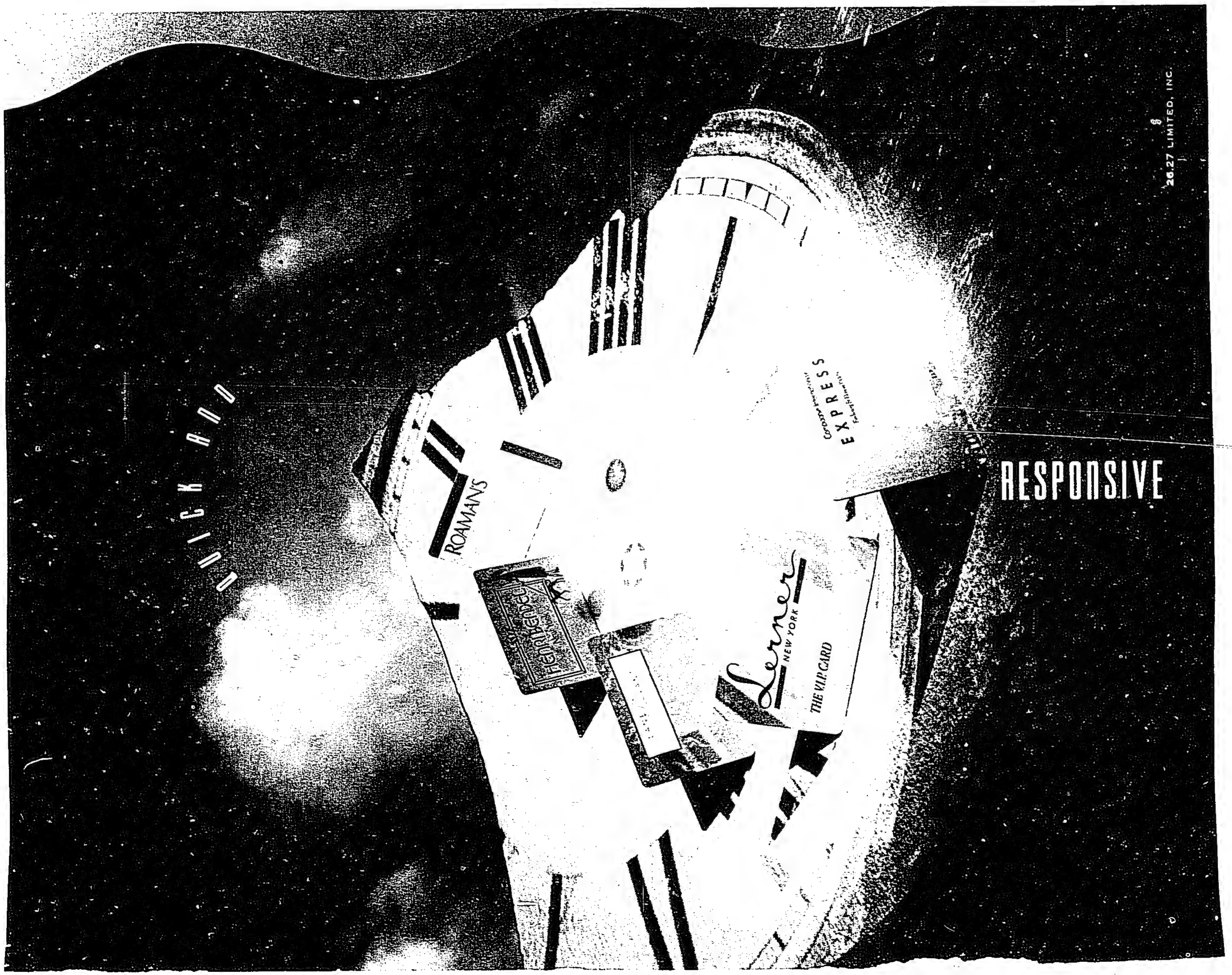
- SURVEYING CUSTOMERS REGULARLY ABOUT OUR SERVICE,
- LEARNING MORE ABOUT OUR CUSTOMERS' LIFESTYLES AND PREFERENCES THROUGH DATA BASE RESEARCH, AND
- TESTING CUSTOMER RESPONSE TO CREDIT CARDS FOR EXPRESS IN SEVERAL MARKETS.

OUR PARENT, THE LIMITED, INC., HAS A GREAT CULTURE, FINANCIAL STRENGTH AND AGGRESSIVE GROWTH PLANS. THIS MEANS WE CAN INVEST IN THE BRAINWARE AND TECHNOLOGY TO DO WHAT WE DO WELL—IMPROVE BOTH PRODUCTIVITY AND CUSTOMER SERVICE THROUGH WORKING SMARTER.

BY AGGRESSIVELY LISTENING TO OUR CUSTOMERS, OUR ASSOCIATES AND THE DIVISIONS, WE'RE COMBINING OUR KNOWLEDGE, TECHNOLOGY AND SERVICE ATTITUDE TO BE THE BEST AT WHAT WE DO.

RALPH E. SPURGIN PRESIDENT

Ralph E Spurgin


RESPONSIVE
EXPRESS
ROAMANS
Lerner
NEW YORK
THE V.I.P. CARD
26.27 LIMITED, INC.

LIMITED STORE PLANNING

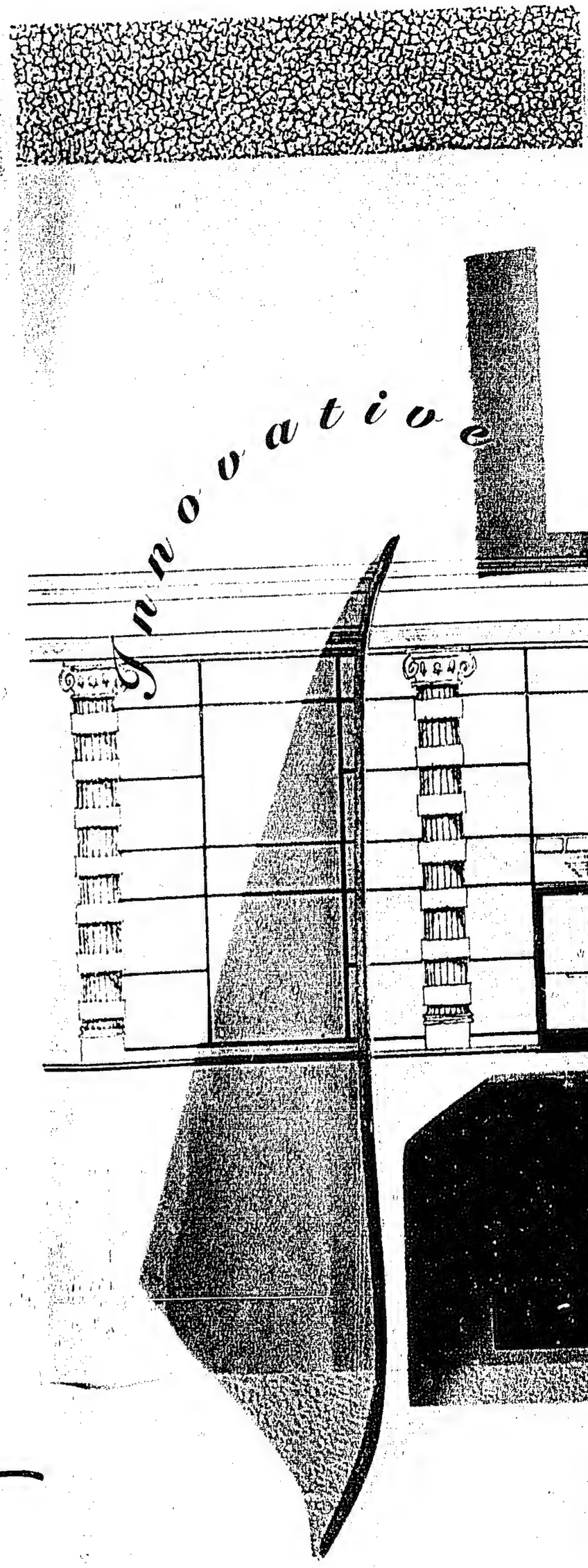
THE TIME HAS PASSED WHEN IT'S ONLY THE MERCHANDISE THAT MAKES A STORE WORK. TODAY IT'S THE MERCHANDISING, THE MARKETING, THE SERVICE AND THE STORE DESIGN OPERATING IN TANDEM THAT REALLY DRIVE A BUSINESS.

OUR STORE PEOPLE ARE TERRIFIC AT FORECASTING AND MARKETING FASHION. OUR CHALLENGE IS TO CREATE THE RIGHT ENVIRONMENT FOR THE KIND OF MERCHANDISE CARRIED BY EACH OF OUR BUSINESSES. TO ESTABLISH THAT ENVIRONMENT WE HAVE TO UNDERSTAND THE MARKETING POINT OF VIEW AND THE CUSTOMER AND THEN WORK FROM THERE TO DEVELOP A CLEAR IMAGE FOR THE BUSINESS. IF WE CREATE AND MANAGE THAT IMAGE WELL, WE PROVIDE A DEFINITE MARKETING EDGE FOR OUR STORES.

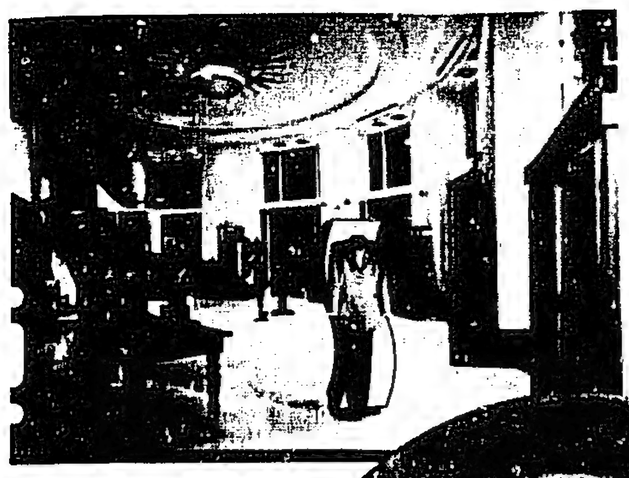
OVER THE NEXT THREE YEARS WE'LL BE MANAGING FROM FOUR TO SIX HUNDRED PROJECTS A YEAR, WHICH CAN AVERAGE 75,000 TO 95,000 SQUARE FEET A WEEK. THAT'S A LOT OF ROOM FOR CREATIVITY!

HOWEVER GOOD OUR STORES ARE RIGHT NOW, I'LL GUARANTEE THAT SEVERAL YEARS FROM NOW THEY'LL LOOK DIFFERENT AND BE EVEN BETTER SHOPPING ENVIRONMENTS. THEY'LL CHANGE BECAUSE OUR CUSTOMER IS ALWAYS CHANGING. IT'S THE OPPORTUNITY OF A LIFETIME, NOT JUST TODAY, BUT EVERY DAY, EVERY MONTH, EVERY YEAR.

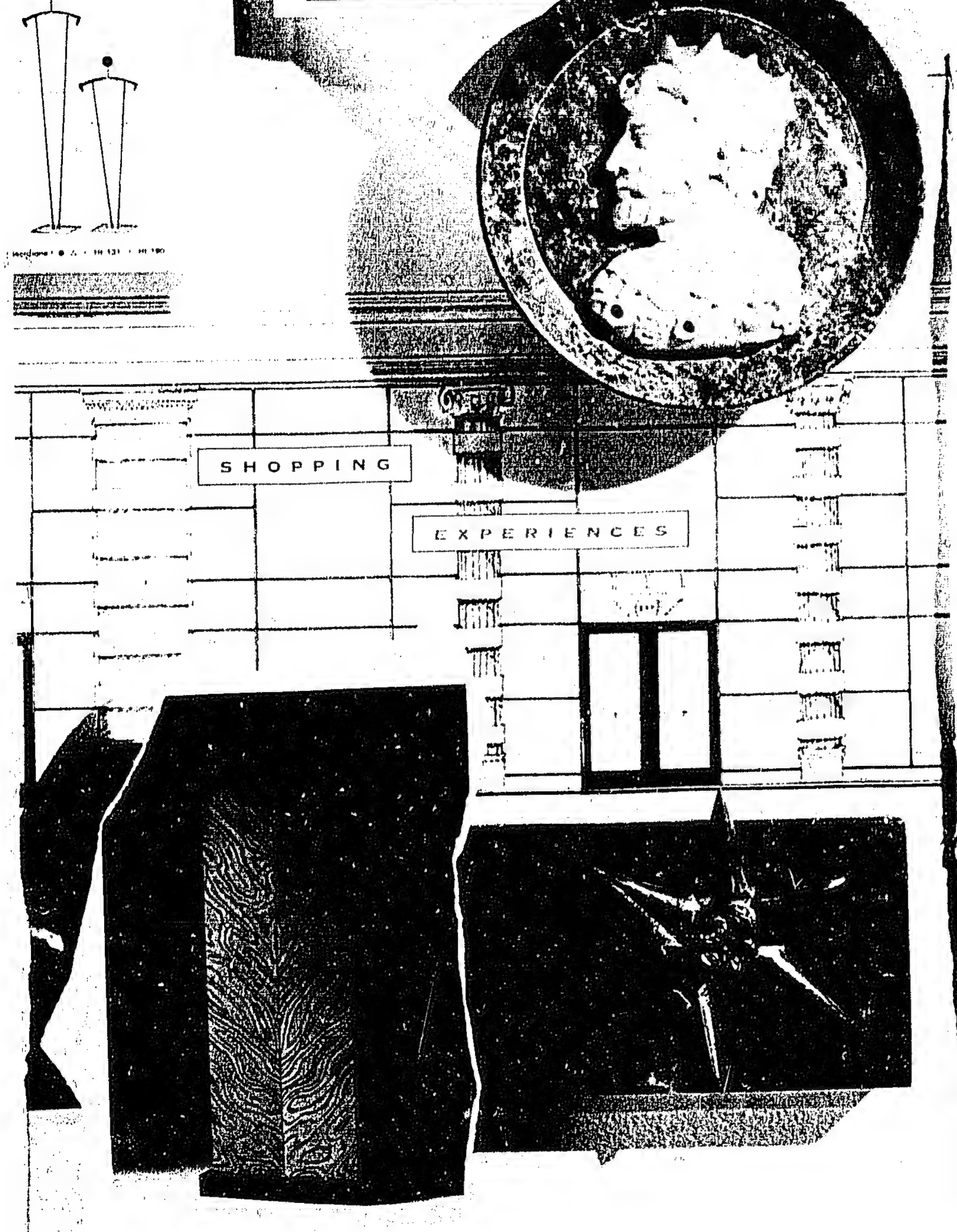
CHARLES W. HINSON PRESIDENT











LIMITED REAL ESTATE

IN THE LAST TWO YEARS, THE LIMITED HAS MOVED TOWARDS LARGER STORES. IN 1990, WE'RE ADDING 2.5 MILLION SQUARE FEET OF SELLING SPACE, WHICH WILL BRING US TO NEARLY 17 MILLION SQUARE FEET. BY THE END OF 1991, WE EXPECT TO EXCEED 20 MILLION SQUARE FEET OF SELLING SPACE.

OUR STORES ARE BECOMING MAJOR DESTINATION POINTS FOR CUSTOMERS AT THE BEST SHOPPING CENTERS IN AMERICA. AND, AS WE CONTINUE TO ENLARGE OUR STORES, THE PRODUCTIVITY JUST KEEPS RISING. THE RETAIL REAL ESTATE DEVELOPERS ARE REC-OGNIZING THE KIND OF CUS-TOMER ACTIVITY OUR STORES GENERATE IN THEIR MALLS, AND OUR LEASES AND CON-STRUCTION ALLOWANCES REFLECT THIS UNDERSTANDING.

JOHN DEWOLF
BUCK SAPPENFIELD

LIMITED DISTRIBUTION SERVICES

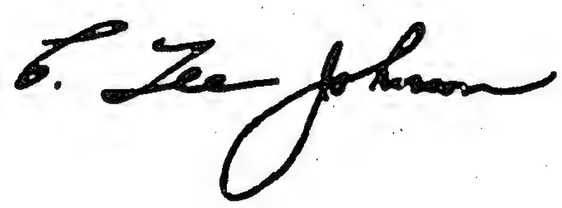
Each of The Limited's divisions develops its own markets and strategies. The objective of our distribution "recentralization" program is to give the businesses greater control over the resources they need to be successful.

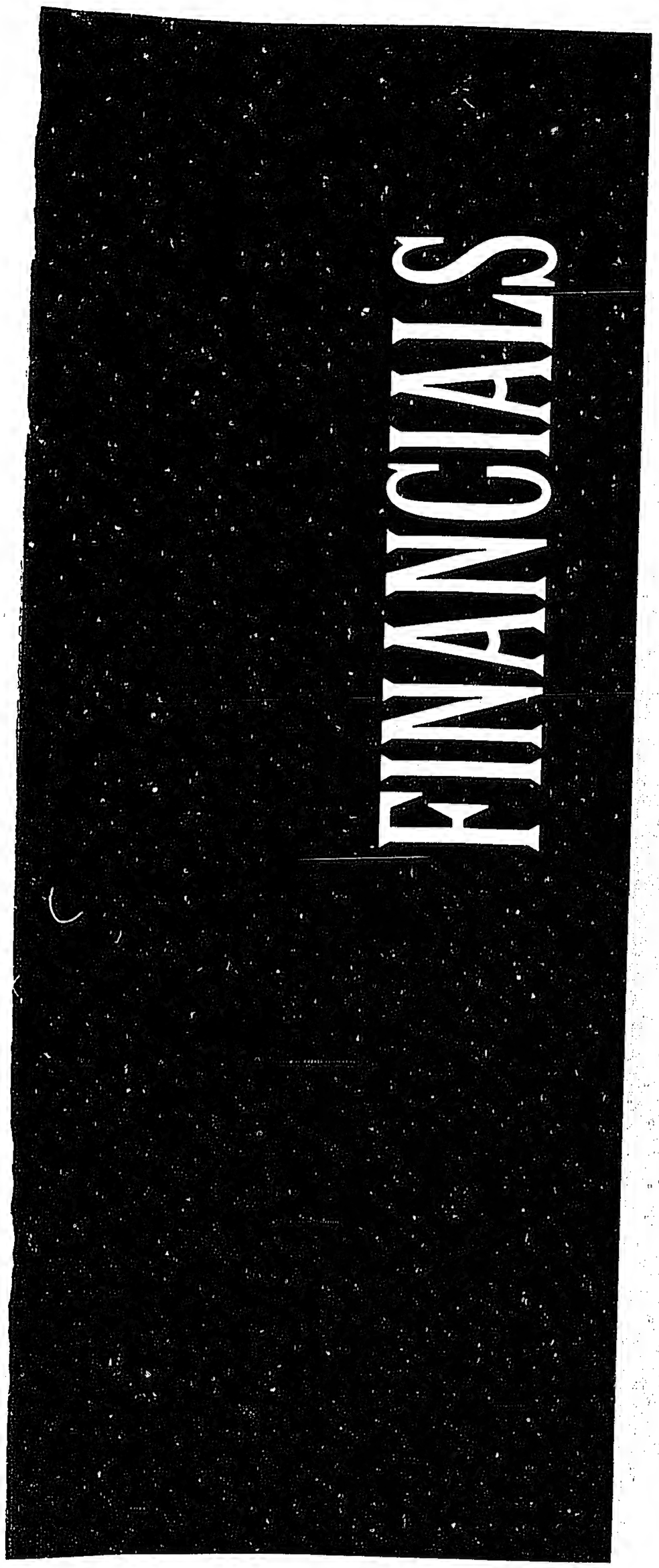
By Spring 1991, with the opening of our new facilities in Reynoldsburg, Ohio, we will add 1.8 million square feet to our current 2.5 million square foot capacity. This is one more step in providing each division with a separate distribution center as well as room to grow.

To insure efficient and high quality transportation services for all the divisions, we've designed an improved shipping facility. All of the technology is customized to handle expanding shipping and transporting requirements of the divisions.

Essentially, our goal is to support the Limited divisions as they grow their businesses. We give them the most sophisticated and efficient distribution, processing and transportation services . . . all designed to help them serve our customers best.

C. Lee Johnson
PRESIDENT





"In 1989, we achieved significant earnings growth as net income reached record levels. A return on average shareholders' equity of 32%, combined with a 36% debt-to-equity ratio, exemplifies the Company's financial strength."

Kenneth B. Gilman
Executive Vice President
Chief Financial Officer

Kenneth B Gilman

FINANCIAL SUMMARY**

Fiscal Year	1989 *††	1988 †	1987	1986
Summary of Operations (thousands except per share amounts)				
Net Sales	**$ 4,647,916**	$ 4,070,777	$ 3,527,941	$ 3,142,696
Gross Income	**1,446,635**	1,214,703	992,775	961,827
Operating Income	**625,254**	467,418	408,872	438,229
Income Before Income Taxes	**573,926**	396,136	378,188	394,780
Net Income	**$ 346,926**	$ 245,136	$ 235,188	$ 227,780
Net Income as a Percentage of Sales	**7.5%**	6.0%	6.7%	7.2%
Per Share Results (thousands except per share amounts)				
Net Income	**$ 1.92**	$ 1.36	$ 1.25	$ 1.21
Dividends	**$ .32**	$ .24	$ .24	$ .16
Book Value	**$ 6.90**	$ 5.28	$ 4.08	$ 4.14
Weighted Average Shares Outstanding	**180,644**	180,093	188,313	188,430
Other Financial Information (thousands except per share amounts)				
Total Assets	**$ 2,418,486**	$ 2,145,506	$ 1,929,477	$ 1,726,544
Working Capital	**$ 685,524**	$ 567,639	$ 629,783	$ 586,827
Current Ratio	**2.4**	2.2	2.9	2.7
Long-Term Debt	**$ 445,674**	$ 517,952	$ 681,000	$ 417,420
Debt-to-Equity Ratio	**36%**	55%	93%	53%
Shareholders' Equity	**$ 1,240,454**	$ 946,207	$ 729,171	$ 781,542
Return on Average Shareholders' Equity	**32%**	29%	31%	38%
Stores and Associates at End of Year				
Total Number of Stores Open	**3,168**	3,381	3,095	2,682
Selling Square Feet	**14,374,000**	14,296,000	12,795,000	11,320,000
Number of Associates	**63,000**	56,700	50,200	43,200

* Fifty-three week fiscal year.
** Restated to reflect consolidation of the Company's wholly-owned finance subsidiary.
† Includes the results of companies acquired subsequent to the date of acquisition.
†† Includes the results of companies disposed up to the disposition date.



1985	1984	1983	1982	1981	1980	1979
$ 2,387,110	$ 1,343,134	$ 1,085,890	$ 721,394	$ 364,900	$ 295,016	$ 252,693
718,843	404,321	327,616	209,374	109,246	81,919	62,749
276,212	173,102	135,377	70,943	38,386	23,191	12,549
239,317	157,495	134,939	60,592	38,486	20,817	8,588
$ 145,317	$ 92,495	$ 70,939	$ 33,592	$ 22,386	$ 13,142	$ 7,063
6.1%	6.9%	6.5%	4.7%	6.1%	4.5%	2.8%
$ .80	$ .51	$ .39	$ .19	$ .14	$ .08	$ .05
$ .107	$ .08	$ .04	$ .024	$ .013	$ .009	$ .007
$ 2.25	$ 1.54	$ 1.08	$ .70	$ .50	$ .37	$ .29
182,819	180,631	180,186	175,506	166,521	163,068	160,176
$ 1,494,313	$ 657,242	$ 425,240	$ 367,979	$ 142,658	$ 116,551	$ 102,921
$ 419,706	$ 180,960	$ 101,665	$ 82,305	$ 23,728	$ 18,756	$ 14,041
2.2	2.0	1.8	1.8	1.7	1.7	1.7
$ 670,744	$ 150,139	$ 60,763	$ 121,411	$ 16,571	$ 23,765	$ 30,909
166%	55%	36%	99%	20%	40%	66%
$ 404,075	$ 275,403	$ 192,576	$ 122,578	$ 83,150	$ 60,093	$ 46,726
43%	40%	45%	33%	31%	25%	16%
2,353	1,412	937	825	430	352	309
10,460,000	5,166,000	3,667,000	3,257,000	1,491,000	1,232,000	1,082,000
33,600	17,700	15,300	13,500	5,900	5,000	4,500

CONSOLIDATED STATEMENTS OF INCOME

(thousands except per share amounts)

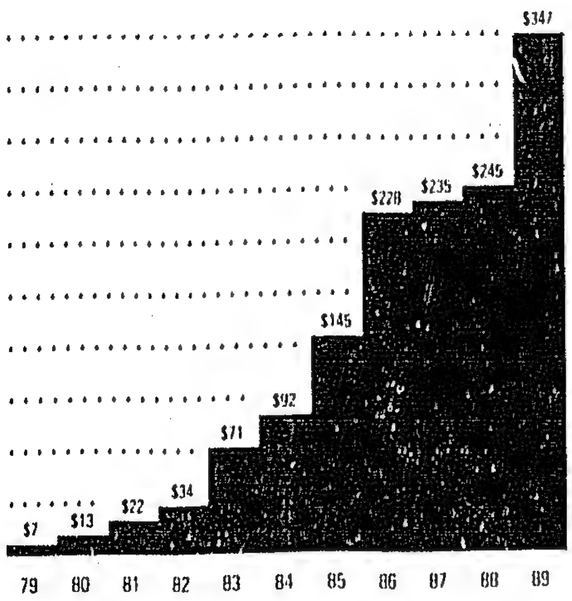
	1989	1988	1987
Net Sales	**$4,647,916**	$4,070,777	$3,527,941
Costs of Goods Sold, Occupancy and Buying Costs	**3,201,281**	2,856,074	2,535,166
Gross Income	**1,446,635**	1,214,703	992,775
General, Administrative and Store Operating Expenses	**821,381**	747,285	583,903
Operating Income	**625,254**	467,418	408,872
Interest Expense	**(58,059)**	(63,418)	(40,322)
Other Income (Expense), net	**6,731**	(7,864)	9,638
Income Before Income Taxes	**573,926**	396,136	378,188
Provision for Income Taxes	**227,000**	151,000	143,000
Net Income	**$ 346,926**	$ 245,136	$ 235,188
Net Income Per Share	**$ 1.92**	$ 1.36	$ 1.25

The accompanying Notes are an integral part of these Consolidated Financial Statements.

NET INCOME

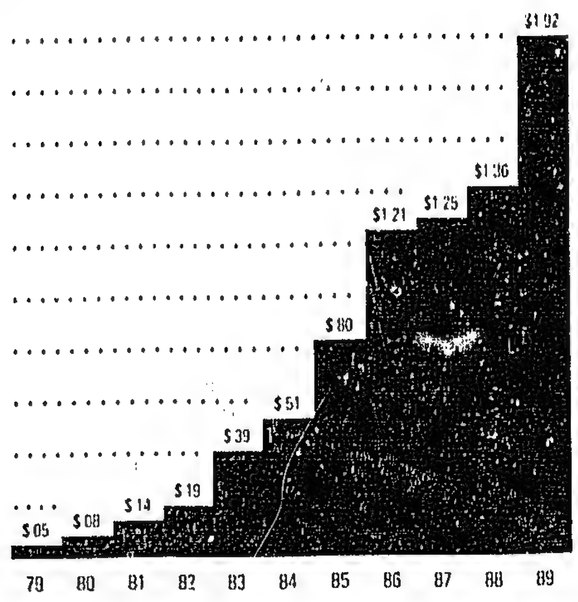
(in millions)

CAGR 48% (Compound Annual Growth Rate, last ten years.)



NET INCOME PER SHARE

CAGR 44%



MANAGEMENT'S DISCUSSION AND ANALYSIS

RESULTS OF OPERATIONS

Fiscal 1989 was a year of significant earnings growth as sales and, more importantly, net income achieved record levels. In addition, fourth quarter 1989 net income was an unprecedented 9.7% of sales. Return on average shareholders' equity of 32%, combined with a 36% debt-to-equity ratio at year-end, exemplifies the Company's financial strength.

Financial Summary

Presented below is summarized financial data expressed in percentage relationship to net sales and as compared to the prior period:

	% of Net Sales			% Change	
Fiscal Year	**1989**	1988	1987	1989-88	1988-87
Net sales	**100.0%**	100.0%	100.0%	14%	15%
Gross income	**31.1%**	29.8%	28.1%	19%	22%
General, administrative and store operating expenses	**17.7%**	18.4%	16.6%	10%	28%
Interest expense	**1.2%**	1.6%	1.1%	(8%)	57%
Net income	**7.5%**	6.0%	6.7%	42%	4%
Fourth Quarter	**1989**	1988	1987	1989-88	1988-87
Net sales	**100.0%**	100.0%	100.0%	17%	34%
Gross income	**32.9%**	32.7%	26.9%	17%	63%
General, administrative and store operating expenses	**15.9%**	16.3%	15.8%	14%	38%
Interest expense	**.9%**	1.2%	1.3%	(14%)	21%
Net income	**9.7%**	8.9%	6.3%	27%	90%

Disposition of Lerner Woman

Effective April 30, 1989, the Company sold its Lerner Woman division to United Retail Group, Inc., a new corporation owned equally by Lerner Woman's management, Centre Capital Investors L. P. and The Limited, Inc. The Company received cash and debt securities approximating the net book value of the Lerner Woman assets. The statements of income and cash flows for the year ended February 3, 1990 include the results of Lerner Woman only through the effective date.

Net Sales

Fiscal year 1989 sales increased 14% over 1988 due to a 9% increase in comparable store sales and additional sales from the 171 new stores opened in 1989 which comprise 1.468 million selling square feet. Had 1988 sales excluded the results of Lerner Woman after the first quarter, sales would have increased 19% in 1989. Sales increased 15% in 1988 over 1987 due to an 8% increase in comparable store sales and additional sales from new stores.

The 17% increase in fourth quarter 1989 sales reflected a 7% increase in comparable store sales, and sales from the 171 stores added during 1989. Had fourth quarter 1988 excluded the results of Lerner Woman, fourth quarter 1989 sales would have increased 22%. Fourth quarter 1988 sales increased 34% over the comparable quarter in 1987 due to a 25% increase in comparable store sales, and from the addition of 286 stores during 1988.

Gross Income

Gross income improved in 1989 versus 1988, due to higher initial markups, and the positive leveraging of buying and occupancy costs due to increased sales volume. Markdowns were only slightly higher in 1989 than 1988 despite a highly promotional fourth quarter environment.

1988 gross income increased as compared to 1987 primarily due to improved initial markups and lower markdowns. These gains were partially reduced by higher buying and occupancy costs as Spring 1988 comparable store sales performance lagged behind the increase in these expenses.

Fourth quarter 1989 gross income improved by .2% of sales over 1988. Slightly higher markdowns were more than offset by a lower rate of buying and occupancy costs, as a percent of sales.

Fourth quarter 1988 gross income improved by 5.8% of sales over 1987 due to slightly higher initial markups, significantly fewer markdowns, and an improvement in the rate of buying and occupancy costs due to increased sales volumes.

General, Administrative and Store Operating Expenses

General, administrative and store operating expenses, expressed as a percentage of sales, declined during fiscal 1989 as compared to 1988 due to significant sales volume increases offsetting an increase in these expenses on a per store basis. Selling payroll costs associated with newer stores, and continued enhancement of customer service contributed to the increase in these expenses on a per store basis.

For 1988, as compared to 1987, these expenses increased at a higher rate than the increase in sales due to store expenses associated with newer stores, and additional payroll costs associated with higher levels of customer service.

General, administrative and store operating expenses declined, as a percentage of sales, in the fourth quarter of 1989, due to improved per store sales productivity and increased efficiencies in credit operations.

These expenses increased, as a percentage of sales, during the fourth quarter of 1988 due principally to higher point of sale marketing costs and enhanced emphasis on customer service, particularly at larger format Limited and Express stores.

Interest Expense

Interest expense declined for all of 1989 and in the fourth quarter as compared to the comparable periods in 1988, due to lower average borrowings in 1989, partially offset by higher average interest rates.

1988 interest expense, as compared to 1987, reflects an increase in both average interest rates and average borrowings (due principally to a 1987 treasury stock repurchase, and the acquisition of Abercrombie & Fitch).

Fourth quarter 1988 interest expense increased over fourth quarter 1987 due to a general increase in interest rates, offset to a degree by lower average borrowings.

Other Income (Expense), net

Other income (expense) in the fourth quarter of 1988 includes a $12 million charge resulting from the transfer of certain marketable equity securities from a long-term investment to a current asset classification.

CONSOLIDATED BALANCE SHEETS

(thousands)

Assets	Feb 3, 1990	Jan 28, 1989
Current Assets		
Cash and Equivalents	**$ 21,734**	$ 15,276
Accounts Receivable	**596,171**	531,461
Inventories	**482,136**	407,006
Other	**63,703**	69,851
Total Current Assets	**1,163,744**	1,023,594
Property and Equipment, net	**1,172,688**	1,066,646
Other Assets	**82,054**	55,266
Total Assets	**$2,418,486**	$2,145,506
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts Payable	**$ 175,319**	$ 189,184
Accrued Expenses	**239,921**	189,579
Income Taxes	**62,980**	77,192
Total Current Liabilities	**478,220**	455,955
Long-Term Debt	**445,674**	517,952
Deferred Income Taxes	**214,858**	198,893
Other Long-Term Liabilities	**39,280**	26,499
Shareholders' Equity		
Common Stock	**94,863**	94,863
Paid-in Capital	**196,232**	203,693
Retained Earnings	**1,168,842**	879,386
	1,459,937	1,177,942
Less Treasury Stock, at cost	**(219,483)**	(231,735)
Total Shareholders' Equity	**1,240,454**	946,207
Total Liabilities and Shareholders' Equity	**$2,418,486**	$2,145,506

The accompanying Notes are an integral part of these Consolidated Financial Statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL CONDITION

A review of the balance sheets discloses financial stability and strength. This year the Company was able to finance by cash generated from operating activities, a $318 million capital expenditure program plus a $167 million increase in inventory and accounts receivable and, also, reduce long-term debt by $72 million. All long-term debt has been incurred on behalf of, and is now used to fund, World Financial Network National Bank, the Company's wholly-owned credit card issuing banking subsidiary. Accounts receivable, which principally arise from credit card transactions with customers, exceed long-term debt by 34%. Lastly, the Company's debt-to-equity ratio was only 36% at the end of 1989. A more detailed discussion of liquidity, capital resources and capital requirements follows:

Liquidity and Capital Resources

Cash provided from operating activities, commercial paper backed by funds available under committed long-term debt agreements, and the Company's capital structure continue to provide the resources to support current and projected growth and operating activities, including the impact of seasonal requirements and capital expenditures. A summary of the Company's working capital position and capitalization follows (000's):

	1989	1988	1987
Working capital	$ 685,524	$ 567,639	$ 629,783
Capitalization:			
Long-term debt	$ 445,674	$ 517,952	$ 691,000
Deferred income taxes	214,858	198,893	174,209
Shareholders' equity	1,240,454	946,207	729,171
Total Capitalization	$1,900,986	$1,663,052	$1,584,380
Additional amounts available under committed bank agreements	$ 604,000	$ 882,000	$ 569,000

The Company considers the following to be several measures of liquidity and capital resources:

	1989	1988	1987
Debt-to-equity ratio (long-term debt divided by shareholders' equity)	36%	55%	93%
Debt-to-capitalization ratio (long-term debt divided by total capitalization)	23%	31%	43%
Interest coverage ratio (income before interest expense, depreciation and amortization, and taxes divided by interest expense)	13.7	9.5	13.1
Cash flow to capital investment (net cash provided from operating activities divided by additions to property and equipment)	127%	171%	130%

Net cash provided from operating activities is the Company's primary source of liquidity, totalling $404.2 million, $492.9 million and $369.8 million in 1989, 1988 and 1987. In 1989, net earnings plus depreciation and amortization generated $124 million of additional cash flow as compared to 1988. However, this increase was more than offset by an increase in proprietary charge card receivables and the increase in inventory required to support the addition of 1.5 million selling square feet and the 9% increase in comparable store sales.

Net cash from operating activities in 1988 as compared to 1987 benefitted from a $43.1 million increase in net earnings and depreciation and amortization, an increase in accounts payable and accrued expenses, offset by an increase in inventory.

The Company had available additional funding at February 3, 1990 comprised of $604 million under committed long-term credit agreements totalling $800 million, plus a $300 million shelf registration for debt securities and warrants to purchase debt securities. The Company believes its liquidity and capital resources are sufficient to sustain operating activities, including seasonal requirements and planned growth.

Capital Requirements

Capital expenditures principally for new stores, and remodeling and expansion of existing stores totaled $318.4 million, $289.0 million and $283.6 million for 1989, 1988 and 1987. In addition, during 1988 and 1987 approximately $80 million of the aforementioned amounts was expended for the construction of offices and a distribution complex in Columbus, Ohio. The Company's capital spending for 1988 also included a $45.2 million investment to acquire the net assets of Abercrombie & Fitch.

The Company began a major store, distribution center and office expansion program in 1989, which will increase the level of capital expenditures in 1990 to approximately $425 million.

In March 1989, the Company announced plans to construct a distribution center and office complex on a 360-acre site in Reynoldsburg, Ohio. These facilities will house Lane Bryant's offices and distribution center, and the Victoria's Secret Stores and Catalogue offices and distribution centers. In addition, the complex will provide temporary distribution facilities for Henri Bendel and Abercrombie & Fitch. The Company anticipates spending in excess of $125 million on the complex, principally in 1990.

In September 1989, the Company announced plans to increase selling square footage in 1990 by approximately 2.5 million square feet. The addition will be accomplished by adding approximately 240 new stores and the remodeling and expansion of approximately 160 existing stores. A summary of stores and selling square feet for 1988, 1989 and projected 1990 follows:

		Projected 1990	1989	1988
Limited	# of Stores	791	763	754
	Total Selling Sq. Ft.	3,890,000	3,361,000	3,037,000
Express	# of Stores	539	469	418
	Total Selling Sq. Ft.	2,414,000	1,735,000	1,325,000
Victoria's Secret Stores	# of Stores	434	384	328
	Total Selling Sq. Ft.	1,288,000	966,000	747,000
Lerner	# of Stores	857	802	784
	Total Selling Sq. Ft.	5,629,000	5,095,000	4,750,000
Lane Bryant	# of Stores	750	720	667
	Total Selling Sq. Ft.	3,285,000	3,037,000	2,869,000
Lerner Woman*	# of Stores		4	384
	Total Selling Sq. Ft.		*	1,390,000
Henri Bendel	# of Stores	4	1	1
	Total Selling Sq. Ft.	100,000	14,000	14,000
Abercrombie & Fitch	# of Stores	30	26	25
	Total Selling Sq. Ft.	238,000	166,000	164,000
Total Retail Divisions	# of Stores	3,405	3,166	3,381
	Total Selling Sq. Ft.	16,844,000	14,374,000	14,296,000
Increase in Selling Sq. Ft.		2,470,000	78,000	1,501,000

*(Sold effective April 30, 1989)

CONSOLIDATED STATEMENTS OF CASH FLOWS

(thousands)

	1989	1988	1987
Cash Flows from Operating Activities:			
Net income	**$346,926**	$245,136	$235,188
Impact of other operating activities on cash flows:			
Depreciation and amortization	**164,713**	142,469	109,353
Change in assets and liabilities:			
Accounts receivable	**(65,742)**	(16,930)	13,735
Inventories	**(101,580)**	(44,072)	7,796
Accounts payable and accrued expenses	**59,764**	91,570	(18,266)
Income taxes	**(14,212)**	53,136	19,572
Other assets and liabilities	**14,370**	21,570	2,390
Net Cash Provided from Operating Activities	**404,239**	492,879	369,768
Investing Activities:			
Capital expenditures	**(318,427)**	(288,972)	(283,590)
Disposition of Lerner Woman	**34,098**	—	—
Acquisition of Abercrombie & Fitch	**—**	(45,206)	—
Other	**11,505**	7,989	(25,721)
Net Cash Used for Investing Activities	**(272,824)**	(326,189)	(309,311)
Financing Activities:			
Net (repayments) borrowings under long-term debt agreements	**(322,278)**	(163,048)	263,580
Proceeds from issuance of unsecured notes	**250,000**	—	—
Purchase of treasury stock	**—**	—	(240,007)
Dividends paid	**(57,470)**	(42,982)	(44,724)
Stock options and other	**4,791**	6,663	5,391
Net Cash Used for Financing Activities	**(124,957)**	(199,367)	(15,760)
Net Increase (Decrease) in Cash and Equivalents	**6,458**	(32,677)	44,697
Cash and equivalents, beginning of year	**15,276**	47,953	3,256
Cash and Equivalents, End of Year	**$ 21,734**	$ 15,276	$ 47,953

The accompanying Notes are an integral part of these Consolidated Financial Statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Impact of Inflation
The Company's results of operations and financial condition are presented based upon historical cost. While it is difficult to accurately measure the impact of inflation due to the imprecise nature of the estimates required, the Company believes that the effects of inflation, if any, on the results of operations and financial condition have been minor.

Adoption of Accounting Standards
The Financial Accounting Standards Board (FASB) periodically issues Statements of Financial Accounting Standards (SFAS), some of which require implementation by a date falling within or after the close of the Company's fiscal year. There were no new standards adopted by the Company in 1989.

Accounting for Income Taxes
In December 1987, the FASB issued SFAS No. 96, "Accounting for Income Taxes," which required the adoption of new tax accounting and disclosure rules by fiscal year 1989. Since that time, the FASB has issued SFAS No. 100 and SFAS No. 103, which have effectively delayed implementation until fiscal 1992.

Based on existing conditions, the Company will adopt the new standard in fiscal 1992 and will not elect to restate prior periods. The benefit from the cumulative adjustment required as a result of reflecting deferred Federal income taxes at the present statutory rate (34%) will be reduced by the requirement to establish a deferred income tax liability for all remaining acquisition timing differences (principally relating to Lerner). The net impact is anticipated to be favorable but immaterial.

Change in Independent Public Accountants
In February 1989, the Audit Committee of the Board of Directors determined not to engage Arthur Andersen & Co. to audit the Company's financial statements for fiscal year 1989 The Board of Directors of the Company in April 1989, upon receiving the recommendation of the Audit Committee, selected the firm of Coopers & Lybrand. During the Company's 1988 and 1987 fiscal years, there were no disagreements with Arthur Andersen & Co. on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure which, if not resolved to the satisfaction of Arthur Andersen & Co., would have caused Arthur Andersen & Co. to make reference to the subject matter of the disagreement in their reports.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

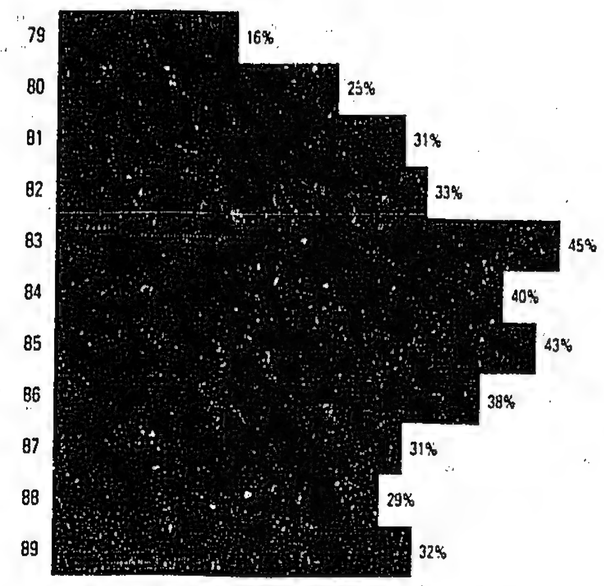
(thousands)

	Common Stock						
	Shares Outstanding	Par Value	Paid-in Capital	Retained Earnings	Unrealized Loss on Marketable Equity Securities	Treasury Stock, at Cost	Total Shareholders' Equity
Balance, January 31, 1987	**188,796**	**$94,398**	**$199,424**	**$ 487,720**	$ —	$ —	**$ 781,542**
Net Income	—	—	—	235,188	—	—	235,188
Cash dividends	—	—	—	(44,724)	—	—	(44,724)
Purchase of treasury stock	(10,828)	—	—	—	—	(240,007)	(240,007)
Exercise of stock options and other	879	439	5,904	(952)	(8,219)	—	(2,828)
Balance, January 30, 1988	**178,847**	**94,837**	**205,328**	**677,232**	**(8,219)**	**(240,007)**	**729,171**
Net income	—	—	—	245,136	—	—	245,136
Cash dividends	—	—	—	(42,982)	—	—	(42,982)
Exercise of stock options and other	425	26	(1,635)	—	8,219	8,272	14,882
Balance, January 28, 1989	**179,272**	**94,863**	**203,693**	**879,386**	**—**	**(231,735)**	**946,207**
Net income	—	—	—	346,926	—	—	346,926
Cash dividends	—	—	—	(57,470)	—	—	(57,470)
Exercise of stock options and other	571	—	(7,461)	—	—	12,252	4,791
Balance, February 3, 1990	**179,843**	**$94,863**	**$196,232**	**$1,168,842**	**$ —**	**$(219,483)**	**$1,240,454**

The accompanying Notes are an integral part of these Consolidated Financial Statements.

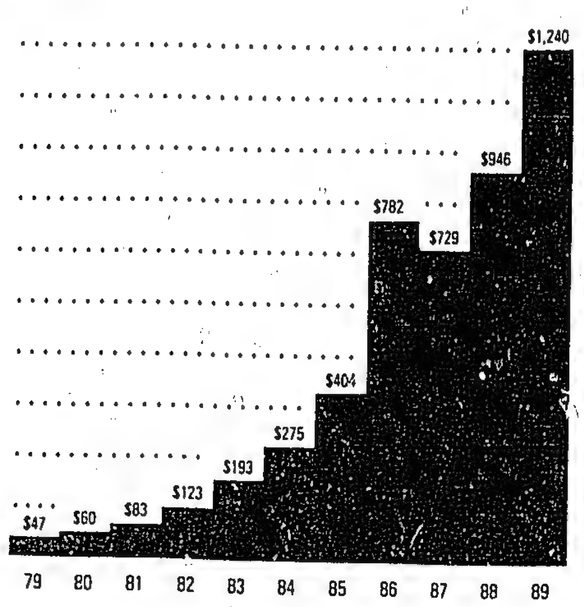
RETURN ON AVERAGE SHAREHOLDERS' EQUITY

(ten years average 35%)



SHAREHOLDERS' EQUITY

CAGR 39% (in millions)



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(thousands except per share amounts)

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation
The consolidated financial statements include the accounts of The Limited, Inc. (the Company) and all significant subsidiaries which are more than 50 percent owned and controlled. All significant intercompany balances and transactions have been eliminated in consolidation.

Investments in other entities (including joint ventures) which are more than 20 percent owned, are accounted for on the equity method.

Fiscal Year
The Company's fiscal year ends on the Saturday closest to January 31. Fiscal years are designated in the financial statements and notes by the calendar year in which the fiscal year commences. The results for fiscal year 1989 represent the 53-week period ended February 3, 1990 and results for 1988 and 1987 represent the 52-week periods ended January 28, 1989 and January 30, 1988.

Cash and Equivalents
Cash and equivalents include amounts on deposit with financial institutions and money market investments with maturities of less than 90 days.

Inventories
Inventories are principally valued at the lower of average cost or market, on a first-in, first-out basis, utilizing the retail method.

Marketable Equity Securities
Marketable equity securities are valued at the lower of aggregate cost or market. Adjustments resulting from the revaluation of marketable equity securities which are carried as current assets are charged or credited to earnings. Valuation allowances for long-term investments, net of related deferred tax benefits, are reflected as a separate component of shareholders' equity.

Property and Equipment
Depreciation and amortization of property and equipment are computed for financial reporting purposes on a straight-line basis, using service lives ranging principally from 10-30 years for buildings and improvements and 3-10 years for other property and equipment. The cost of assets sold or retired and the related accumulated depreciation or amortization are removed from the accounts with any resulting gain or loss included in net income. Maintenance, repairs and minor renewals are charged to expense as incurred. Renewals and betterments which extend service lives are capitalized.

Provision for Income Taxes
The provision for income taxes is based on pretax income as reported for financial statement purposes, and includes a deferred provision for the tax effect of timing differences between the financial and tax reporting of certain revenue and expense items. Deferred Federal income taxes, net of applicable foreign tax credits, are not provided on the undistributed earnings of foreign subsidiaries to the extent the Company intends to permanently reinvest such earnings abroad (approximately $160 million at February 3, 1990 and January 28, 1989).

In December 1987, the Financial Accounting Standards Board issued SFAS No. 96, Accounting for Income Taxes, which upon adoption, will require the Company to implement a new approach to accounting for deferred income taxes. SFAS No. 103 delayed adoption of the new standard until no later than fiscal 1992. A more detailed discussion of this matter is included under the heading "Accounting for Income Taxes" in Management's Discussion and Analysis, on page 39 of this Annual Report.

Shareholders' Equity
Five hundred million shares of $.50 par value common stock are authorized, of which 179.8 million and 179.3 million are outstanding net of 9.9 million shares and 10.4 million shares held in treasury at February 3, 1990 and January 28, 1989. Ten million shares of $1.00 par value preferred stock are authorized, none of which have been issued.

Net Income Per Share
Net income per share is computed based upon the weighted average number of outstanding common shares and includes the effect of stock options. There were 180.6 million, 180.1 million and 188.3 million weighted average outstanding shares for fiscal years 1989, 1988 and 1987.

2 ACCOUNTS RECEIVABLE

Accounts receivable consisted of:

	1989	1988
Deferred payment accounts	$562,067	$486,193
Trade and other	54,346	65,464
Allowance for uncollectible accounts	(20,242)	(20,196)
	$596,171	$531,461

Finance charge revenue on the deferred payment accounts amounted to $101.9 million, $84.5 million and $88.4 million in 1989, 1988 and 1987, and the provision for uncollectible accounts amounted to $36.5 million, $38.0 million and $44.4 million in 1989, 1988 and 1987. These amounts are classified as components of the cost to administer the deferred payment accounts program and are included in general, administrative and store operating expenses.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3 PROPERTY AND EQUIPMENT

Property and equipment, at cost, consisted of:

	1989	1988
Land, buildings and improvements	**$ 235,728**	$ 218,677
Furniture, fixtures and equipment	**766,399**	685,233
Leaseholds and improvements	**615,182**	565,484
Construction in progress	**74,060**	46,335
	1,691,369	1,515,729
Less - Accumulated depreciation and amortization	**518,681**	449,083
Property and equipment, net	**$1,172,688**	$1,066,646

4 LEASED FACILITIES AND COMMITMENTS

Annual store rent is comprised of a fixed minimum amount, plus contingent rent based upon a percentage of sales exceeding a stipulated amount. Store lease terms generally require additional payments covering taxes, common area costs and certain other expenses.

A summary of rent expense for 1989, 1988 and 1987 follows:

	1989	1988	1987
Store rent:			
Fixed minimum	**$248,035**	$217,296	$171,360
Contingent	**27,328**	24,169	20,320
Total store rent	**275,363**	241,465	191,680
Equipment & other	**27,081**	25,508	30,284
Total rent expense	**$302,444**	$266,973	$221,964

At February 3, 1990, the Company was committed to noncancelable leases with remaining terms of one to forty years. A substantial portion of these commitments are store leases with initial terms ranging from ten to twenty years. Accrued rent expense was $41.1 million and $43.4 million at February 3, 1990 and January 28, 1989.

A summary of minimum rent commitments under noncancelable leases follows:

1990	$ 294,000
1991	292,000
1992	283,000
1993	271,000
1994	259,000
Thereafter	$1,229,000

5 LONG-TERM DEBT

Long-term debt consisted of:

	1989	1988
Commercial paper	**$195,674**	$164,952
10 5/8% Notes due October, 1990	**150,000**	—
8 7/8% Notes due August, 1999	**100,000**	—
Receivable finance facility	**—**	353,000
	$445,674	$517,952

The Company maintains two committed unsecured revolving credit facilities (the "Revolvers") totalling $800 million, one for $560 million and one for $240 million. The Revolvers were established to support the Company's commercial paper program, working capital requirements and general corporate purposes. As long as the remaining terms of the Revolvers exceed one year and the unused commitments thereunder exceed the amount of outstanding commercial paper and the 10 5/8% Notes, commercial paper obligations and the 10 5/8% Notes will be classified as long-term debt.

The initial term for the Revolvers is three years, expiring on May 31, 1991, but may be extended annually at the Company's option, unless the lenders provide, approximately one year prior to expiration, advance notification not to extend. Upon expiration of the initial term of the $560 million Revolver, or any extensions thereof, the amount outstanding will be repaid in eight, equal semi-annual installments. The Revolvers have several borrowing options, with interest rates at either the Prime Rate, a rate based upon the lender's cost of funds, or at a rate submitted under a bidding process. The commitment and facility fees for these agreements approximate 1/8% of the unused commitment. The terms of the Revolvers place certain restrictions on the Company's levels of working capital, debt and net worth. No amounts were outstanding under either of the Revolvers at February 3, 1990.

In August 1989, the Company issued $100 million of ten-year 8 7/8% unsecured notes. In March 1989, the Company issued $150 million of 10 5/8% unsecured notes. Proceeds of these issues replaced commercial paper borrowings previously used to fund the Company's proprietary credit card receivables. Concurrent with the issuance of the 10 5/8% Notes, the Company entered into a variable interest rate swap agreement for the same amount with the same maturity, which results in interest costs approximating those of the Company's commercial paper program.

Also in March 1989, the Company repaid all amounts due under its finance subsidiary's receivable finance facility and terminated the $400 million commitment thereunder.

In October 1989, the Company filed a shelf registration statement increasing to a total of $300 million, the amount of unsecured debt securities and warrants to purchase debt securities that the Company may issue. There were no amounts outstanding related to these debt securities at February 3, 1990.

Interest paid approximated $49.9 million, $65.9 million and $38.5 million in 1989, 1988 and 1987.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6 INCOME TAXES

The provision for income taxes consisted of:

	1989	1988	1987
Currently payable:			
Federal	$176,700	$124,900	$110,300
State	26,100	14,500	9,600
Foreign	7,100	7,000	12,400
	209,900	146,400	132,300
Deferred:			
Federal	7,200	(8,200)	5,300
State	9,900	12,800	5,400
	17,100	4,600	10,700
Total provision	$227,000	$151,000	$143,000

The foreign component of pretax income in 1989, 1988 and 1987 was $56.8 million, $40.2 million and $66.1 million.

A reconciliation between the statutory Federal income tax rate and the effective income tax rate follows:

	1989	1988	1987
Federal income tax rate	34.0%	34.0%	39.0%
State income tax, net of Federal income tax effect	4.1	4.5	2.4
Foreign operations	–	–	(3.5)
Other items, net	1.5	(.4)	(.1)
	39.6%	38.1%	37.8%

The components of the deferred tax provision follow:

	1989	1988	1987
Excess of tax over book depreciation	$20,100	$19,200	$25,600
Deferred profit on receivables	(26,600)	(22,200)	(16,700)
Other items, net	23,600	7,600	1,800
	$17,100	$ 4,600	$10,700

The Tax Reform Act of 1986 eliminated the use of the installment method for recognizing income on sales from the Company's credit card operations and requires that deferred income on sales at January 31, 1987 be included in taxable income over a four-year period beginning in 1987. At February 3, 1990, approximately $29 million of deferred income taxes relating to installment sales are classified as current liabilities.

Income tax payments approximated $223.6 million, $93.4 million and $126.4 million for 1989, 1988 and 1987.

7 STOCK OPTIONS

Stock options are granted to officers and key employees based upon fair market value at the date of grant. The Company had approximately 5.4 million shares available for grant at February 3, 1990 as compared to 6.2 million shares available at January 28, 1989. Approximately 2.5 million shares of the Company's common stock were reserved for outstanding options, of which 1.1 million were exercisable as of February 3, 1990. Option activity for 1989 follows:

	Number of Shares	Weighted Average Option Price Per Share
Outstanding Options, January 28, 1989	2,299,000	$14.83
Activity during 1989:		
Granted	865,000	$29.83
Exercised	(603,000)	$ 9.84
Cancelled	(77,000)	$21.84
Outstanding Options, February 3, 1990	2,484,000	$21.05

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8 FINANCE SUBSIDIARY

World Financial Network National Bank, a wholly-owned consolidated finance subsidiary formed effective May 1, 1989, and its predecessor, World Financial Network, Inc., a wholly-owned consolidated finance subsidiary, provide proprietary credit card services to retail customers of the Company. Pretax earnings of the finance subsidiaries approximated $10.7 million and $0.1 million in 1989 and 1988. Condensed financial information of the finance subsidiaries follows:

	World Financial Network National Bank Feb 3, 1990	World Financial Network, Inc. Jan 28, 1989
Assets		
Credit card receivables, net of allowance for uncollectible accounts	$541,500	$473,100
Other assets, net	7,000	—
	$548,500	$473,100
Liabilities and Investments		
Payable to wholly-owned subsidiaries and affiliates of The Limited, Inc.	$ 43,500	$ 49,600
Borrowings under credit agreements	—	353,000
Investment of The Limited, Inc.:		
Subordinated debt	465,800	69,500
Equity investment	39,200	1,000
	$548,500	$473,100

	Nine Months Ended	
	Feb 3, 1990	Jan 28, 1989
Income before interest expense and income taxes	$ 39,200	$ 26,600
Interest expense	28,200	26,500
Pretax income	$ 11,000	$ 100

9 QUARTERLY FINANCIAL DATA (UNAUDITED)

Summarized quarterly financial results for 1989 and 1988 follow:

1989 Quarter	First	Second	Third	Fourth
Net Sales	$964,617	$990,284	$1,110,449	$1,582,566
Gross Income	278,351	300,621	347,129	520,534
Net Income	45,189	63,781	84,869	153,087
Net Income Per Share	$ .25	$ .35	$ .47	$ .85

1988 Quarter				
Net Sales	$811,075	$893,104	$1,010,616	$1,355,982
Gross Income	214,914	241,647	314,836	443,306
Net Income	23,864	30,701	70,426	120,145
Net Income Per Share	$ .13	$ .17	$ .39	$ .67

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors and Shareholders of
The Limited, Inc.

We have audited the accompanying consolidated balance sheet of The Limited, Inc. and subsidiaries as of February 3, 1990, and the related consolidated statements of income, shareholders' equity, and cash flows for the fiscal year then ended (appearing on pages 34, 36, 38, 40, and 41 through 44). These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. The consolidated balance sheet of The Limited, Inc. and subsidiaries as of January 28, 1989 and the related consolidated statements of income, shareholders' equity, and cash flows for each of the two fiscal years in the period ended January 28, 1989 were audited by other auditors, whose report, dated February 13, 1989, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Limited, Inc. and subsidiaries as of February 3, 1990 and the consolidated results of their operations and their cash flows for the fiscal year then ended in conformity with generally accepted accounting principles.

Coopers & Lybrand

Columbus, Ohio
February 19, 1990

MARKET PRICE AND DIVIDEND INFORMATION

	Market Price		Cash Dividend Per Share
	High	Low	
Fiscal Year 1989			
4th Quarter	$37 5/8	$30 1/2	$ .08
3rd Quarter	39 7/8	33	.08
2nd Quarter	36 1/8	29 3/8	.08
1st Quarter	31 1/2	25 1/4	.08
Fiscal Year 1988			
4th Quarter	$30 3/8	$24	$ .06
3rd Quarter	26 3/8	19 3/4	.06
2nd Quarter	25 1/8	17 1/4	.06
1st Quarter	22 5/8	16 3/8	.06

The Company's common stock is traded on the New York Stock Exchange ("LTD"), the London Stock Exchange and the Tokyo Stock Exchange. On February 3, 1990, there were 19,400 shareholders of record. However, when including active associates who participate in the Company's stock purchase plan, associates who own shares through Company sponsored retirement plans and others holding shares in broker accounts under street name, the Company estimates the shareholder base at approximately 80,000.

DIRECTORS

Leslie H. Wexner (a) (c)
Chairman

Thomas G. Hopkins
Vice Chairman

Kenneth B. Gilman
Executive Vice President
Chief Financial Officer

Bella Wexner
Secretary

Martin Trust
President
Mast Industries, inc.
Andover, Massachusetts

W. Arthur Cullman (a)
Professor Emeritus
of Marketing
The Ohio State University
Columbus, Ohio

John W. Kessler (a) (c)
Real Estate Developer
Columbus, Ohio

David T. Kollat
Chairman
22 inc.,
a management consulting
and marketing research firm
Worthington, Ohio

Claudine B. Malone (b)
Management Consultant
McLean, Virginia

John K. Pfahl (b)
President
John K. Pfahl, Inc.
a management consulting firm
Columbus, Ohio

Donald B. Shackelford (a)
Chairman of the Board
State Savings Bank
Columbus, Ohio

Allan R. Tessler (b) (c)
Chairman
and Chief Executive Officer
International Financial Group
New York, New York

Raymond Zimmerman (b)
Chairman of the Board
and President
Service Merchandise Co., Inc.
Brentwood, Tennessee

(a) Member of Executive Compensation Committee
(b) Member of Audit Committee
(c) Member of Nominating Committee

EXECUTIVE OFFICERS

Leslie H. Wexner
Chairman

Thomas G. Hopkins
Vice Chairman

Kenneth B. Gilman
Executive Vice President
Chief Financial Officer

Bella Wexner
Secretary

Wade H. Buff
Vice President
Internal Audit

Alfred S. Dietzel
Vice President
Financial and Public Relations

William K. Gerber
Vice President
Corporate Controller

Timothy B. Lyons
Vice President
Taxes

Margaret T. Monaco
Vice President
Treasurer



Leslie H. Wexner
Chairman



Thomas G. Hopkins
Vice Chairman



Kenneth B. Gilman
Executive Vice President
Chief Financial Officer



Verna Gibson
President
Limited Stores



Michael A. Weiss
President
Express



Robert C. Grayson
President
Lerner



Cheryl Nido Turpin
President
Lane Bryant



Howard Gross
President
Victoria's Secret



Susan Falk
President
Henri Bendel



Sally Frame Kasaks
President
Abercrombie & Fitch



Cynthia Fedus
President
Victoria's Secret
Catalogue



Peter J. Canzone
President
Brylane



Martin Trust
President
Mast Industries, Inc.



Ralph E. Spurgin
President
Limited Credit Services



Charles W. Hinson
President
Limited Store Planning



C. Lee Johnson
President
Limited Distribution
Services



Corporate Offices
Two Limited Parkway
PO Box 16000
Columbus, Ohio 43216
614 479-7000

Annual Meeting
The Annual Meeting of Shareholders
is scheduled for 10 AM
Tuesday, May 22, 1990,
at the New York Marriott Marquis
1535 Broadway
New York, New York 10036

Date Founded 1963
Number of Associates 63,000
Approximate Shareholder Base 80,000

Overseas Offices
London, England
Kowloon, Hong Kong
Milan, Italy
Osaka, Japan
Seoul, Korea
Singapore, Republic of Singapore
Taipei, Taiwan

10-K Report
A copy of Form 10-K is available
without charge upon written request to
Alfred S. Dietzel, Vice President
The Limited, Inc.
PO Box 16000
Columbus, Ohio 43216

Stock Transfer Agent,
Registrar and Dividend Agent
First Chicago Trust Company of New York
30 West Broadway
New York, New York 10007
212 587-6515

Stock Exchange Listings
New York Stock Exchange
(Trading Symbol "LTD")
London Stock Exchange
Tokyo Stock Exchange

Legal Counsel
Schwartz, Kelm, Warren & Rubenstein
Columbus, Ohio

Independent Public Accountants
Coopers & Lybrand
Columbus, Ohio

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JUL 1990
MIRAC